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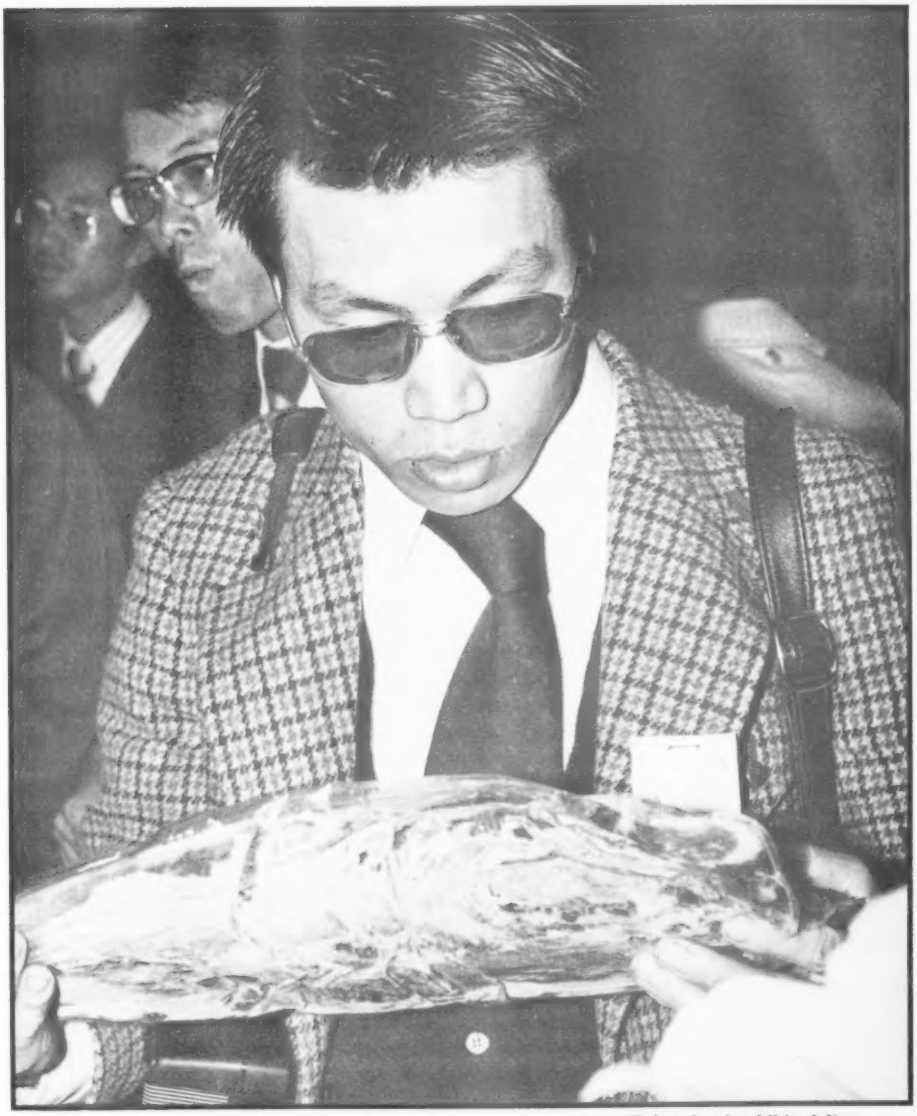

Tokyo food exhibit visitor examines U.S. beef tenderloin.

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U.S. Share Shows Gains In U.K. Farm Market, Despite Larger EC Role

By David P. Evans

The United Kingdom's accession into the European Community greatly changed traditional U.K. agricultural trade patterns. Preferential status in the U.K. farm market switched in favor of EC members—countries that used to be on the same competitive footing as the United States. Nonetheless, the United States has maintained a strong base in this changed market. The U.S. farm share is rising and may expand further, despite the large EC role and the British drive toward greater self-sufficiency in agricultural production.

The United States has developed strong roots in the radically altered British farm market, and steady U.S. farm trade growth there is expected over the near term. This outlook emerges despite the expanded role of the European Community as an agricultural supplier in that market since the United Kingdom's entry into the EC triggered vast changes in traditional U.K. farm trade patterns.

The U.S. agricultural share of the U.K. market rose in calendar 1978, as did that of the EC. Important for the future, however, is the fact that most U.K. agricultural imports from the United States—for example, hard wheat, corn, tobacco, cotton, and soybeans—complement rather than compete with local production.

However, many farm imports from the EC are products that are also grown in the United Kingdom, which recently set national goals for increased agricultural self-sufficiency by 1983. Also important for the United States and its major competitors is that if these goals are realized—especially in the livestock sector—the impact could mean greater U.K. imports of feedgrains and protein feeds.

Membership in the EC disrupted traditional U.K. agricultural trade relationships. The positions of some leading farm suppliers enjoying British Commonwealth preference (Australia is a good example) diminished as the role of EC countries grew. Today, the turbulence of transition appears over and fewer major changes in U.K. farm trade patterns are likely in the near future. But the size and importance of the U.K. farm market remains because of that country's heavy dependence on imported food and feed.

In 1978, 17.5 percent of all U.K. imports—and only 6.7 percent of all exports—were agricultural products. The country's overall trade deficit was $7.2 billion, but its farm trade deficit was $9.2 billion.

No country supplies more farm products to the United Kingdom than the United States. According to U.K. import data, U.K. imports of American farm products in 1978 reached $1.7 billion, or 20.3 percent of all imports from the United States. The U.K. trade deficit with the United States was $1.59 billion, of which $1.56 billion, or 98 percent, was a deficit in agricultural trade.

The United States provided 12.1 percent of the United Kingdom's agricultural imports last year, up from 11.0 percent in 1977. On a country basis, with 1978's share followed by 1977's in parentheses, Ireland was next with 9.3 (7.3 percent) followed by Denmark, 7.9 (7.0), France, 7.5 (7.6), the Netherlands, 7.0 (7.3), and New Zealand, 5.8 (5.2). Trailing the six leaders were West Germany, Canada, Italy, and Brazil. Many other countries are significant suppliers, often for only a few specific items, such as citrus, vegetables, and wine from Spain; tea and tobacco from India; and citrus from Israel.

British agricultural exports to the United States in 1978 accounted for only 2.5 percent of all U.K. exports to the U.S. market. However, even this small proportion is exaggerated in a

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sense because many exports incorporate a large imported element. Examples include baked goods, chocolates and sweets, preserves, and tea, and similar specialty, high value-added lines.

Although the United States is the leading single source of U.K. farm imports, the EC as a whole is far ahead. In 1978, the EC share of the British farm market was 39.7 percent, up from 36.5 percent in 1977—yet agriculture's role is relatively smaller.

Agricultural imports accounted for 17.2 percent of all U.K. imports from the rest of the Community last year. On the other hand, the share of farm exports was 10.6 percent of all U.K. exports to EC in 1978. Moreover, when compared with its farm exports to the United States, a much higher proportion of U.K. agricultural exports to the EC consisted of unprocessed items originating on British farms, such as livestock, meats, barley, and wool. While the United Kingdom's trade deficit with the EC amounted to $4.8 billion in 1978, its deficit in farm trade was $2.8 billion, or 58 percent of the total deficit.

Entry of the United Kingdom into the EC on January 1, 1973, naturally foreshadowed changes in traditional British farm trade patterns. Before 1973, preferential arrangements with the British Commonwealth, plus Ireland and South Africa, meant that almost all agricultural products, but not tobacco, from those countries entered the United Kingdom duty free. For certain commodities—notably wheat, soybeans, yellow corn, and cotton—there were no import duties regardless of source.

During the transition, there were three parallel influences at work to disturb traditional U.K. trading relationships. First, the duty-free status of developed Commonwealth preference countries, principally Australia, Canada, New Zealand, and South Africa, was gradually eroded. By the end of the transition, these countries were on the same footing regarding EC tariffs and levies as other developed non-EC countries—excluding the special treatment of New Zealand under Protocol 18 of the Treaty of Accession.

Second, less-developed countries (LDC's) of the Commonwealth moved into parallel status with other LDC's under a variety of arrangements, principally the Lomé Convention and EC Generalized System of Preferences. Third, former tariff and other barriers on imports from seven of the other eight EC members were progressively eliminated, except for certain animal health and phytosanitary restrictions; Ireland, meanwhile, continued the same freedom of access as a fellow Community member as it had under its former preference status.

Changes in Lineup Of U.S. Competitors

For the United States and other developed non-EC countries, these changes have meant that competitors that used to have preferences in the U.K. market are now on the same footing. Today, the United States, Canada, Australia, Argentina, and South Africa have the same status. On the other hand, countries which used to be on the same footing as the United States—the other members of the EC except Ireland—are now those enjoying preferential status.

Within the changed trading relationships following the United Kingdom's entry into the EC, the countries most vulnerable were those with a heavy reliance on a small number of items that the EC was well placed to supply. In this connection, it was essential for Ireland and Denmark to join the EC along with the United Kingdom. In 1978, 41.5 percent of U.K. imports from Ireland was in the agricultural sector; for Denmark, the proportion was 58.8 percent. Indeed, trade with Denmark features the largest single agricultural commodity imported into the United Kingdom—bacon with a value of $498 million.

The position of New Zealand is particularly delicate. Last year, 95.4 percent of all U.K. imports from New Zealand were agricultural products, with meats (mainly lamb), dairy products, and wool accounting for 89 percent, or $772.8 million. Future EC moves on the access for New Zealand butter, and the possibility of a sheepmeat CAP (Common Agricultural Policy) framed along protectionist lines are obviously of supreme importance.

Over the transition period, no country has suffered more in its farm trade with the United Kingdom than Australia. As a developed, high-income country, Australia did not qualify for any special treatment, such as that obtained by the Commonwealth LDC's or the temporary respite under Protocol 18 for New Zealand.

In 1972, Australia was among the United Kingdom's major import sources for beef, mutton and lamb, butter and cheese, wheat, apples, raw sugar, and wool. In 1978, much reduced imports of beef, sheepmeat, and apples and a diminished trade in wool were virtually all that remained.

In 1972, agricultural imports took a 64 percent share of all British imports from Australia; in 1978, the figure was 29 percent. United Kingdom's entry into the EC cannot be entirely blamed for the entire reduction. The decline in wool, for example, has nothing directly to do with the CAP or competition from EC countries. However, the sharp fall in beef and the virtual annihilation of imports of wheat, sugar, and dairy products stemmed largely from the United Kingdom's membership in the Community.

'U.S. Has More Eggs In More Baskets'

The fact that Canada and the United States have not shared Australia's fate is largely because of their position as suppliers of a range of commodities not in large production in the EC. (So far, New Zealand remains a special case.) Nonetheless, Canada is perhaps dangerously overdependent on one commodity—hard wheat. The U.K. import value for this item in 1978 was $264 million, or 54 percent of all imports of Canadian farm products. The United States has more eggs in more baskets.

A closer examination by commodity groupings of British imports from the United States shows that for those items where the United States ranks near or at the top, there is no significant production on British farms. These commodities include hard wheat, corn, rice, tobacco, soybeans, cotton, fine animal hair, and essential oils and flavorings. The import value of these items last year was $1.3 billion, or 76 percent of total U.K. agricultural imports from the United States.

This is not to say, of course, that U.S. corn does

not compete with U.K.-grown soft wheat in animal feed and with local barley in distilling, or that U.S. soybeans do not vie with domestically grown rapeseed in the British crushing industry. Still, imports of these items fulfill a need, which exists because of quality protein needs and crushing material requirements and because local farmers cannot meet the demand.

On the other hand, a large proportion of U.K. farm imports from the EC consists of items produced in the United Kingdom; items in which the country would like to expand production. These include livestock, meats, dairy products, soft wheat, barley, apples and pears, tomatoes and fresh vegetables, sugar, finished animal feeds, lard, and hides and skins.

For 1978, these imports amounted to $3.2 billion, or 57 percent of all U.K. agricultural imports from the other eight Community members.

Scarcity of Land Limits Output Potential

Of course, it is impossible for the United Kingdom to expand production significantly to replace all or even most of these imports from the EC. The overriding constraints of scarcity of suitable land, and with only about 2.5 percent of the labor force engaged in farming, ensure a continuing heavy dependence on imports of these commodities.

Nevertheless, there can be no doubt that imports of at least some of the beef and dairy products from Ireland, pigmeat and butter from Denmark and the Netherlands, and these items and many more from West Germany would have been lower but for the significant subsidy provided by EC Monetary Compensatory Amounts (MCA's), which arise because the United Kingdom keeps its "green rate" overvalued by about 30 percent.

Given "common prices" as originally envisaged for the CAP in the Treaty of Rome, it is certain that, for example, West Germany would not be the seventh leading source of U.K. agricultural imports.

The British Government recently issued revised forecasts of the country's goals for increased farm production and improved self-sufficiency by 1983. Assuming that prices received by farmers in real terms remain unchanged, percentage increases in production over 1977's output are postulated as follows: Milk, 16; beef, 4; mutton and lamb, 12; pigmeat, 4; poultry meat, 11; cereals, 12; sugar, 26; potatoes, 1; oilseed rape, 48; and horticulture, 12.

Because the nation's population will change little over the next 4 years, and food demand is likely to change only marginally, increased production—if realized—implies lower imports.

Assuming the extra production is forthcoming and imports of the items selected for expansion fall. what is the likely impact on the leading agricultural suppliers?

It seems evident that major import declines will occur in those sectors where the EC is strongest: Livestock, meats, dairy products, soft wheat, barley, and horticulture.

There is also an implied threat to New Zealand lamb, wool, and butter, and to sugar from ACP countries (African, Carribbean, and Pacific) under the Lomé Convention—although the U.K. Minister of Agriculture while outlining expansion plans stressed that obligations to New Zealand and the ACP's would be unaffected.

It seems equally evident that the positions of the United States, Canada, Brazil, and Argentina and suppliers of tropical products other than cane sugar would be less risky. For those commodities on which these countries base their strength in the U.K. market, no production increase is proposed—or even possible because some of these commodities will not grow in the United Kingdom.

This excludes for the moment the possible impact of the postulated expansion in British rapeseed production on soybean imports. Essentially, the U.K. expansion of rapeseed production followed the application of high EC support payments under the CAP.

Livestock Expansion To Raise Feed Needs

Furthermore, the proposed increases in U.K. livestock production could generate greater imports of feedgrains and protein feeds. While some of the increased beef and milk production should arise from better grazing practices, more pigs and poultry and some of the expansion in the cattle sector will call for more imported feed.

Unless present price/cost relationships are changed by new CAP initiatives, the United States and its major competitors, including France, will remain the major sources of imported feed—given, for example, that there are technological limits to the substitution of soft wheat and barley for corn in livestock rations.

So long as artificial constraints are not placed on soybean meal usage, there will be a rise in protein feed requirements that could benefit the United States—and Brazil and Argentina if their export potential can be maintained. The projected 48 percent increase in U.K. rapeseed production looks far less impressive when applied to actual quantities—an additional 68,000 to 210,000 tons.

U.K. soybean imports from all sources in 1978 totaled 1.24 million tons, including 1.13 million from the United States.

In the next 5 years it seems probable that U.K. agricultural trade patterns will undergo fewer major changes than during 1973-78, if certain conditions are met.

First, it will be necessary to maintain at present levels the competitive position of grains for animal feed on British farms. If U.K. grain prices rise, owing to increased EC prices or to a sharp reduction and/or abolition of MCA's on grain imports, U.K. feeding practices will change, and the hope for even a modest expansion in the country's livestock sector could be jeopardized.

Development along these lines would pose a threat to U.K. imports of U.S. feed ingredients. On the other hand, higher common prices for livestock and dairy products and reduction or the abolition of MCA's on this trade might well foster higher U.K. production, giving rise to a greater demand for imported feedstuffs while reducing imports of livestock, beef, and dairy products from other EC countries.

Lastly, New Zealand's continuing butter exports to the United Kingdom are viewed with increasingly jaundiced eyes not only by the rest of the EC, notably Ireland and Denmark, but also by concerned U.K. dairying interests □

South Africa: New Entrant Into World Poultry Markets

Success as a broiler producer, coupled with a slowdown in poultry consumption growth, has caused South Africa's poultry industry to turn to the export trade to find markets for its surpluses. This move brings South African broilers into competition with world suppliers of poultry, including the United States, especially in Middle and Far Eastern markets.

In the past, the South African poultry industry had no need to export because its production was sold in a strong domestic market, where efficient, rapidly expanding production and aggressive promotion kept poultry prices low.

A recent FAS survey of food prices in 16 selected cities (*Foreign Agriculture*, April 1979) showed that Pretoria's retail price for whole broilers was one of the lowest of the cities surveyed, matched only by that in Brasília. The price in the two cities was the equivalent of US$1.39 per kilogram. By comparison, in Washington, D.C., the price was $1.65 per kilogram.

Lack of familiarity with poultry export markets caused South Africa to hesitate over sending its products overseas. As one industry leader put it, "We were reluctant to take on the large multinational corporations."

But beginning in September 1977, a concerted export drive was undertaken by the South African industry designed mainly to remove production from the domestic market, thus strengthening prices. Although no export statistics are published by the South African Department of Customs and Excise, trade sources believe that about 22,000 tons of frozen broilers were exported in 1977.

Trade sources indicate that about 25,000 tons may have been exported in 1978—which would be about 12 percent of South African production—mainly to Middle and Far Eastern markets, and the total may rise to 32,000 tons in 1979. However, export prices are generally lower than those charged in the domestic market, so it is probable producers would prefer to sell their product at home.

South Africa's broiler production in the past decade had increased at a spectacular rate—from 54,000 tons in 1968 to 215,000 tons in 1978. And consumption increases kept pace until the recent economic slowdown. Per capita broiler consumption was 4.0 kilograms in 1968, rising to an estimated 7.96 kilograms in 1977.

The strength of past consumer demand growth for poultry is reflected by comparative figures for commercial red meat slaughterings in the last 15 years. In that period, slaughterings for beef increased 65 percent, those for mutton 68 percent, and for pork 105 percent. By contrast, commercial slaughterings of poultry rose fivefold (494 percent).

The rise in chicken production has resulted from a number of favorable factors. Government controls on poultry production and prices have been absent, while feed cost—based on sizable domestic corn crops and the price restraints by various commodity boards that regulate marketing of other feed ingredients—have been low. Then, too, chicken is a meat favored by most people.

In addition, the industry—which is generally concentrated into a few large integrated firms—benefits from the advantages of size. A dry climate, which minimizes the incidence of disease, and a relatively plentiful and inexpensive labor pool, also work to the industry's advantage.

Much of its equipment, technology, parent stock, and other inputs are among the best available from Europe and the United States. Its production techniques also are of high caliber, and South African producers envisage improvements in all production areas.

Currently the average slaughter age and live weights are 1.75 kilograms at about 52 days. The feed conversion ratio is 2.08 units of feed to 1 unit of meat. These figures are very similar to those in the United States, which are 1.7 kilograms at about 56 days, and 2.10:1.

One problem that besets the South African industry is that because of the country's size and transportation difficulties, the poultry industry must be decentralized. Thus there are major producing units in widely separated places—near Capetown, and in Natal and the Transvaal—each servicing the immediate area. □

Based on reports from James O. Howard, U.S. Agricultural Attaché, Pretoria.

World Trade Week

President Jimmy Carter has proclaimed the week beginning May 20 as World Trade Week, urging U.S. citizens to cultivate an awareness of the importance of world trade to the U.S. economy and to this country's relations with other nations.

"A strong position in world trade is one of the foundations of the American economy," the President said. "World Trade Week gives us the opportunity to pledge ourselves to exporting as a national priority and to renew our determination to succeed in the world marketplace."

The President said: "We in the United States are dedicated to policies that promote freer, wider trade and that avoid the destructive consequences of protectionism. We believe our economy is best protected, and our citizens better served, when barriers to trade between nations are lowered rather than raised."

World Trade Week this year comes after the successful completion of the Tokyo Round of Multilateral Trade Negotiations in Geneva, which had the objective of reducing barriers to international trade. The Geneva agreements entered into by the United States and legislation to implement them now must be approved by Congress.

U.S. Farm Exports To Hong Kong Growing

Hong Kong has become one of the fastest growing markets for U.S. agricultural products and the rapid expansion is expected to continue. Since 1975, the value of U.S. agricultural exports to Hong Kong has grown at a phenomenal rate.

Following a $54.6-million decline to $130.3 million in 1975, the value of U.S. farm exports to Hong Kong jumped to $206.1 million in 1976, to $303.9 million in 1977, and to $359.4 million in 1978.[1]

Hong Kong is currently the 18th largest market for U.S. agricultural products. On a per capita basis, U.S. exports in 1978 averaged about $77 for each of Hong Kong's 4.7 million inhabitants, second only to the average per capita imports from the Netherlands.

Hong Kong is the leading U.S. market for shell eggs, canned vegetables, prepared animal feed, and ginseng, and is one of the top U.S. overseas markets for oranges, apples, grapes, prunes, cherries, melons, figs, tomatoes, celery, and lettuce.

Cotton has spearheaded the growth in U.S. exports to Hong Kong, with the value of these exports increasing from $14.65 million in 1975 to $152.30 million in 1978. Although cotton has replaced oranges as the leading export, orange sales also have shown a rapid growth, rising from $24.8 million in 1975 to $39.6 million in 1978. Per capita consumption of oranges in Hong Kong is currently more than 65 pounds annually—the highest in the world—and over 95 percent of the oranges consumed in Hong Kong are grown in U.S. groves.

A number of commodities and products—including prepared animal feed, frozen poultry, shell eggs, grapes, apples, tobacco, beer and ale, lettuce, beef, lemons, candy, and melons—have shown steady, if not spectacular, growth since 1975. Exports of shell eggs jumped from only $931,000 in 1975 to almost $8.4 million in 1977, an increase of 800 percent. Sales declined to about $6.2 million in 1978, but exports of shell eggs are expected to grow substantially again in 1979.

The share of the top 20 items (see table) of total U.S. farm exports to Hong Kong was 82 percent in 1975, 85 percent in both 1976 and 1977, and 86 percent in 1978.

The trend of rapidly expanding U.S. agricultural sales to Hong Kong is expected to continue. Consumption of foodstuffs is largely segmented between

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[1] *All U.S. dollars on these pages.*

By Alva L. Erisman, U.S. Agricultural Officer, Hong Kong.

U.S. Beef Draws Crowds At Hong Kong Food Promotions

More than 3,000 pounds of top-quality U.S. beef were among the attractions at U.S. food events in Hong Kong in late March and early April.

The beef was featured at an "All American Food Festival," sponsored by one of Hong Kong's leading caterers and some of the city's top restaurants.

An FAS trade-only food show was held during the same period, as well as a smaller show for the general public.

The beef—the first chilled beef ever offered for sale in Hong Kong—was flown in by a U.S. airline and was served in about 45 Hong Kong restaurants. It served as a tasty backdrop for a wide variety of other U.S. foods featured in the same event.

The promotion was sponsored by Maxim Caterers and the Sheraton Hotel in Hong Kong, in cooperation with USDA's Foreign Agricultural Service, three FAS cooperators — Western Wheat Associates, Inc., the U.S. Meat Export Federation, and the Poultry and Egg Institute of America (PEIA)—plus several U.S. commercial firms.

Buttressed by special menus promoting the U.S. foods, newspaper advertising, and table, window, and dining room decorations, the Food Festival was held March 19-April 6, in conjunction with the 3-day FAS trade-only food show, March 20-22. The smaller exhibit was held at Hong Kong's Ocean Terminal, March 23-25.

The FAS food show featured some 1,800 items from more than 60 U.S. exhibitors, 16 of which were represented by Hong Kong agents. Prominent among the products on display were vegetables, fruits, and meats. Other foods included dressings, sauces, soups, seasonings, snack items, poultry, seafood, nuts, and other specialty foods.

The State of California had the largest representation at the FAS show of any U.S. State. Among the California visitors was March Fong Eu, California's Secretary of State, who found the show impressive.

"It will bring an awareness to the people of Hong Kong and throughout Southeast Asia of the vast amount and variety of foods produced in America.

"We cannot continue to think of just providing for the American consumer but in terms of expanding our markets elsewhere. We must not be looking to just Europe but also to the Pacific rim countries that now have the ability, interest, and need to acquire specific agricultural products. I will do all that I can to promote this objective."

Joseph E. Manion, Far East Director for PEIA, with headquarters in Hong Kong, coordinated the activities of the six poultry exhibitors

Hong Kong Is Asia's No. 2 Farm Market

Despite its diminutive size, Hong Kong is the second largest importer of agricultural commodities—behind Japan—in Asia. This decade has witnessed a boom in Hong Kong's farm imports, with the value of these imports rising threefold between 1972 and 1978.

Because of its geographic advantage, the People's Republic of China (PRC) is by far the leading supplier of agricultural products to Hong Kong, while the United States and Thailand compete closely for the No. 2 position. Other important suppliers are Taiwan, Australia, Pakistan, Indonesia, and South Korea.

Hong Kong's agricultural imports increased from $1.8 billion in 1976 to almost $2.4 billion in 1977 and slightly over $2.5 billion in 1978. The commodity mix is very diversified because Hong Kong imports more than 85 percent of its food supply.

About half of the Colony's poultry meat, one-seventh of its pork, and considerable supplies of its vegetables come from agricultural activities in the New Territories, a 400-square-mile area leased from China for 99 years in 1898.

In 1978, Hong Kong's farm imports (with 1977's value in parentheses) included cotton, about $350 million, ($285 million); live hogs, $208 million ($192 million); and rice, $128 million ($106 million).

Other important agricultural imports in 1978 were: Eggs, $62 million; frozen poultry, $45 million; cattle, $39 million; corn, $32 million; sugar, $29 million; beef, $26 million; coffee, $25 million; pork, dried meat, and apples, about $22 million each; and wheat, $21 million.

Hong Kong's farm imports from China rose from an average of $216 million during 1965-69 to about $873 million in 1976. After a slight decline in 1977, these imports rebounded to about $955 million in 1978 while Hong Kong's total imports from China amounted to about $1.5 billion.

U.S. agricultural exports to Hong Kong have advanced 75 percent over the last 2 calendar years, reaching $359 million in 1978. Exports of U.S. cotton to that market have soared, reaching $152 million in 1978. Other significant U.S. farm exports to that market last year, included oranges, $39.6 million; ginseng, $21.9 million; frozen poultry, $17.5 million; poultry feed, $13.6 million; and grapes, $5.7 million.

Hong Kong's cereal purchases are still less than 1 million metric tons annually. The Colony's rice imports increased from 336,552 tons in 1976 to 340,877 tons in 1977 and, according to preliminary information, made slight gains in 1978. In recent years, China and Thailand have supplied most of Hong Kong's rice imports, with Australia usually showing up as the third largest supplier. Value of rice im-

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taking part in the Hong Kong Food Show.

Referring to the event, Manion said: "We think it has gone very well. While we do not expect direct sales from the show, the further processed products —the turkey ham, the salami, bologna—have been received with enthusiasm by the Hong Kong trade."

Onfloor sales at the Hong Kong show amounted to $95,000 and were projected to reach $1.45 million in the next 6 months. In addition, U.S. participants also signed agreements with 21 new agents.

More than 1,600 tradesmen visited the 3-day trade-only show at the Hong Kong Sheraton, and an audience estimated to be at least 250,000 viewed the exhibit at the terminal, where more than 2,000 products, dummy cartons, and cans were shown.

Thirty of the Hong Kong exhibitors also participated in a U.S. exhibit at an international exhibition in Tokyo the week before, where 13 countries had exhibits. □

From top: Visitors to Hong Kong food show sampling the wares of exhibitors; reception committee for the 3,000-pound shipment of U.S. beef imported for sale during the "All American Food Festival" in Hong Kong.

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U.S. Farm Exports

the primarily Western-oriented institutional trade and grocery stores and the Chinese consumer who collectively accounts for about 98 percent of Hong Kong's population. Posh restaurants and leading hotels insist on serving such U.S. foods as beef, chicken, turkey, eggs, vegetables, and fruit, because of their uniformity and unsurpassed quality.

The number of hotel rooms in Hong Kong is expected to expand about 20 percent over the next 1-2 years, and the utilization of U.S. foods is expected to increase accordingly.

Similarly, sales by Western-style supermarkets are expected to climb, both because an ever-increasing variety of U.S. foods is appearing on grocery store shelves and the current business boom and favorable outlook for trade with China is enticing a sizable increase in the Western community.

Thus far, the shortage of cold storage and high storage costs have all but priced U.S. beef out of the local retail market. However, changes in marketing and distribution may reduce the high handling costs for U.S. beef, thereby lowering the price and making it more competitive with Australian and New Zealand cuts.

The Chinese market is changing rather rapidly and these changes are expected to accelerate. Per capita income in constant prices has increased by an average of 8 percent annually since 1971 and is now about $2,700—the second or third highest is Asia.

This spectacular increase in income has been accompanied by changing consumer habits and preferences, especially in recent years. The trend is toward higher quality foods, meat, sandwiches, and convenience foods. More families are acquiring refrigerators and, as a result, less fresh produce and meat and more frozen foods are being consumed.

Especially noteworthy is the very rapid increase in the number of fast-food outlets. These shops have a special appeal to the younger Chinese who are adopting a more Western life style. This trend is especially significant for the future because one-half of Hong Kong's population is under 25 years of age. □

Top Twenty U.S. Agricultural Exports to Hong Kong, Annually CY 1975–78

[Thousand U.S. dollars]

Commodity	1975	1976	1977	1978
Cotton	14,650	51,947	130,070	152,345
Oranges	24,798	29,283	30,140	39,606
Ginseng	11,738	16,355	23,854	21,922
Prepared animal feeds	9,974	14,686	15,649	17,606
Frozen poultry	9,002	17,490	16,714	17,491
Wheat	11,682	16,511	11,006	12,840
Other citrus	(1)	(1)	(1)	7,671
Shell eggs	931	2,705	8,378	6,178
Grapes	4,325	4,727	5,624	5,671
Apples	4,019	4,808	5,422	5,513
Tobacco	2,598	3,412	4,008	4,461
Beer and ale	586	1,164	2,112	3,539
Hides, cattle	4,276	3,693	3,489	2,763
Lettuce	2,302	2,115	2,288	2,638
Beef (frozen)	1,553	2,225	2,390	2,424
Corn, canned	1,459	1,606	2,251	2,229
Lemons	1,076	1,746	1,514	2,068
Candy, except cocoa	358	649	831	2,058
Soups	1,082	1,197	2,078	1,886
Melons	627	822	1,766	1,844
Top twenty exports	107,036	178,983	262,584	312,753
Total exports	130,326	206,068	303,907	359,385

[1] Not available.

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No. 2 in Asia

ports reached a peak of $174 million in 1974, but has declined to a recent low of $104 million in 1976 as a result of lower prices.

Wheat imports, which had sagged in the early 1970's, expanded from 103,850 tons in 1975 to about 150,000 tons in 1978, including 93,000 tons from the United States. Hong Kong's imports of corn increased sharply from 197,073 tons in 1976 to 257,576 tons in 1977, and advanced even further in 1978. Larger corn imports from South Africa more than offset smaller arrivals from Thailand in 1978. Normally, Thailand provides more than 60 percent of Hong Kong's total corn requirements.

Imports of fruits and vegetables have increased moderately in recent years, particularly from the PRC, Taiwan, and the United States. Those from the PRC rose sharply in value from $97.7 million in 1974 to $181 million in 1978, largely because of higher prices as volume increased from 422,000 tons to about 460,000 during the same period. Hong Kong is the Far East's largest importer of oranges, apples, pears, and many different vegetables.

In 1977, the United States provided about 85 percent of the 126,245 tons of oranges imported by Hong Kong.

In the pork sector in 1977, the PRC supplied 97.8 percent of the 2.86 million hogs imported by Hong Kong. Overall, China provided 55.7 percent of all Hong Kong's pork imports that year.—*By John B. Parker, Jr., agricultural economist, ESCS.* □

Law Protecting Foreign Agricultural Reserves Held in U.S. Draws Little Response

By Alan S. Brigida

While strengthening the reliability of the United States as a supplier, a U.S. law providing further protection for the storage of foreign agricultural reserves in the United States has drawn little response from foreign investors as a surplus situation for many commodities has prevailed since passage of the law.

The Export Administration Amendments of 1977 (EAA-77), which revised the Export Administration Act of 1969, established guidelines for the protection of foreign agricultural reserves in the United States from certain export restrictions. Title I, Section 105, of this law enables a foreign customer[1] to apply for permission exempting farm commodities purchased and held in the United States from export limitations imposed because of short supply.

The Secretary of Commerce, in consultation with the Secretary of Agriculture, can grant this permission after it has been decided that:

- The commodities will eventually be exported;
- Neither the sale nor export of the commodities will result in an excessive drain of scarce materials or will have a serious inflationary impact on the U.S. economy;
- The foreign commodities will not unduly limit storage space for domestically owned commodities;
- The commodities will not be resold or used by a third country; and
- The purpose of such storage is to establish a reserve for later use by the foreign country.

Because agricultural exports are vital to U.S. agriculture and to the U.S. balance of payments, dependability in meeting commitments abroad is important to the international trade position of the United States.

Encouraging the storage of foreign reserves in the United States could help stabilize commodity markets. In a tight market, foreign countries that depend on the United States for agricultural products could draw from reserves instead of placing additional pressure on spot markets. In a surplus market, foreign countries could purchase and store excess supplies.

Section 105 of the law would benefit countries that import large volumes of U.S. agricultural commodities. These countries are severely affected by changes in prices and in the availability of agricultural products. Foreign agricultural reserves held in the United States could insulate foreign countries from the effects of export limitations, production shortfalls, and wide swings in prices.

Despite possible advantages, no foreign country has applied for the protection offered by this law. A Japanese fact-finding team did visit the United States in November-December 1977 to study the possibility of storing wheat here. The team visited Houston, Kansas City, and Washington, D.C. The team met with USDA officials to discuss storage in the United States but made no indications that Japan would store farm items in this country under the provisions of this law.

Japan imports an estimated 50 percent of its food requirements. Although Japan produces most of the livestock products it consumes, it must import most of its animal feed. For some time, the United States has supplied about two-thirds of Japan's grain imports.

The cost of storing agricultural products is relatively less expensive in the United States than in Japan. Grain storage costs in Japan are 70 to 80 U.S. cents per bushel per year, about three times higher than U.S. storage costs of about 25 to 30 U.S. cents per bushel per year.

It would appear that Japan could profit from owning and holding reserves in the United States, but the reasons Japan is not holding reserves here provide insight on why other countries are not doing so.

There are several possible reasons for Japan's hesitancy in responding to the encouragement implicit in the law. The major one is that current Japanese law requires Japanese-owned commodities stored abroad to be stored on an identity preserved basis. This is not practical for long-term grain storage.

Another Japanese concern is that of storability, especially in the case of soybeans for food. The Japanese soy food industry, which manufactures *tofu* (bean curd), *miso* (bean paste), and *natto* (fermented beans), imports most of its soybeans. Food-quality beans must meet rigid standards of color and quality, which preclude their being mixed with those destined to be used for animal feed. These requirements would place additional demands on storage facilities.

The Japanese also fear the possibility of a U.S. dock strike, which would interfere with Japan's access to its reserves.

Although the United States has tremendous storage capacity, the amount of unused capacity at any given time varies because of the different harvest dates of various crops. Therefore, it would be difficult to determine the availability of U.S. storage space at a future date. This uncertainty regarding storage may be another reason why Japan has not responded to the law.

Local and state taxes also have been cited as an obstacle to foreign investment in U.S. grains. Japan —or any other foreign country storing agricultural commodities in the United States—would not be exempt from local U.S. taxes on its stocks where these are applicable. These taxes vary from county to county and state to state, so it is difficult to determine exactly how much they

Continued on page 26

The author is a Federal Junior Fellow with Foreign Demand and Competition Division, ESCS.

[1] *A person or firm, subject to the jurisdiction of the United States, acting as a duly authorized agent for a foreign purchaser.*

U.S. Beef Prospects in West Germany Dimmed By Inspection Rules, CAP

By William G. Tinklepaugh

Beef may be the heir apparent of the West German meat market, but pork is likely to remain the reigning monarch for a long time to come.

Production and per capita consumption of beef have shown slight upward movements in recent years, but the current high price of Germany's beef tends to strengthen pork's hold on the consumer.

Nor can the situation be relieved by larger beef imports since nontariff factors such as German inspection regulations make entry difficult and EC (European Community) quotas, levies, and licenses raise the landed price of imported beef—including that from the United States—to the point where it cannot compete on the German market.

Pork plays a predominant role in the German diet. Just as the United States is a nation of beef eaters—consuming about twice as much beef as pork—Germans are known for their predilection for pork. In West Germany, pork consumption commands a 2:1 margin over beef.

The West German appetite for pork is reflected in a 1978 per capita consumption of 48.1 kilograms, nearly 3 kilograms greater than a year earlier. By contrast 1978 beef consumption—at 24.4 kilograms per person—was only about 1 kilogram greater than in 1977.

Per capita consumption of both meats is forecast to climb higher in 1979, but again pork will show the greater advance.

Pork consumption that year is expected to top 50 kilograms per person for the first time, and beef consumption is expected to see a marginal gain, to about 25 kilograms per person.

Poultry meat consumption, which has stabilized in recent years, is seen standing at about 9.7 kilograms per person in both 1978 and 1979, up from 9.0 kilograms in 1976.

Including small quantities of lamb (0.7 kg) and horsemeat (0.1 kg) in 1978, West German per capita consumption of all meats is expected to reach a record 73.4 kilograms in 1978, 5 percent more than in 1977. The per capita total for 1979 is expected to reach 76.2 kilograms.

Supporting these consumption rises is a strong increase both in livestock numbers and in meat supplies. The latter—led by pork—are expected to reach a new high in 1979.

The December 1978 census shows a 6 percent climb in hog numbers from 21.4 million head in 1977 to 22.7 million in 1978. Significantly, the census revealed a rise from the year-earlier level in bred sows, further strengthening the belief that the pork supply will be larger.

Cattle numbers also were higher in December, although the rise was less significant. The census showed 14.9 million head of cattle in 1978, up from 14.8 million in 1977.

Pork consumption has risen each year of the past 5, and is expected to climb by about 5 percent in 1979. However, concern has been expressed by some in the farm community that the domestic market may be unable to absorb further large, long-term increases in pork production, which could result if the innovations in breeding, feeding, and housing witnessed in recent years continues.

Production data show that pork outturn rose from 2.42 million metric tons in 1976 to an estimated 2.60 million in 1978, and is forecast at 2.74 million tons in 1979. For the same period, beef and veal output rose from 1.40 million tons to 1.44 million in 1978 and is seen reaching 1.49 million tons in 1979.

Sheep and goat meat production was 27,000 tons in 1976, 27,000 tons in 1978, and is expected to settle at 28,000 tons in 1979. Poultry meat output was 323,000 tons in 1977, and should be around 345,000 tons for 1978 and 360,000 tons in 1979.

Despite this generally impressive performance, the German meat industry sees some trouble spots in the long term. West Germany's already high per-capita meat consumption is seen by some observers to be approaching its upper level. And West Germany's declining birthrate and its sizable emigration of non-German workers could reduce overall meat consumption. As a result, some agricultural and economic experts are viewing with great interest events now taking place in the pork sector.

While there is some disagreement whether demand growth will be stronger for beef or pork in coming years, it is generally believed pork will come out on top. Demand for beef, which some consumers prefer, will probably grow to some degree, but the high price of beef in West Germany will make large consumption increases unlikely.

At the retail level, some beef cuts sell for about 40 percent more than similar pork cuts, and to many price-conscious German consumers, this is the factor that swings them to pork.

West Germany produces about 86 percent of its total meat requirements. Ninety five percent of its current beef needs are met from domestic sources, as are 88 percent of its pork and 58 percent of its poultrymeat needs.

Since about two-thirds of Germany's beef comes from the dairy herd and consists mostly of meat from young bulls and old cows, the Germans generally consume a much leaner type of beef than the predominantly grain-fed beef eaten in the United States. Also, many German meat shoppers still consider edge fat and marbling in beef as something adding weight to the cut to raise the price.

This, plus the traditional German preference for pork, implies that any significant expansion in German demand for U.S. high-quality beef will be a slow process and require consumer education.

And, of course, because the EC system of quotas, levies, and licenses raises the German retail price of

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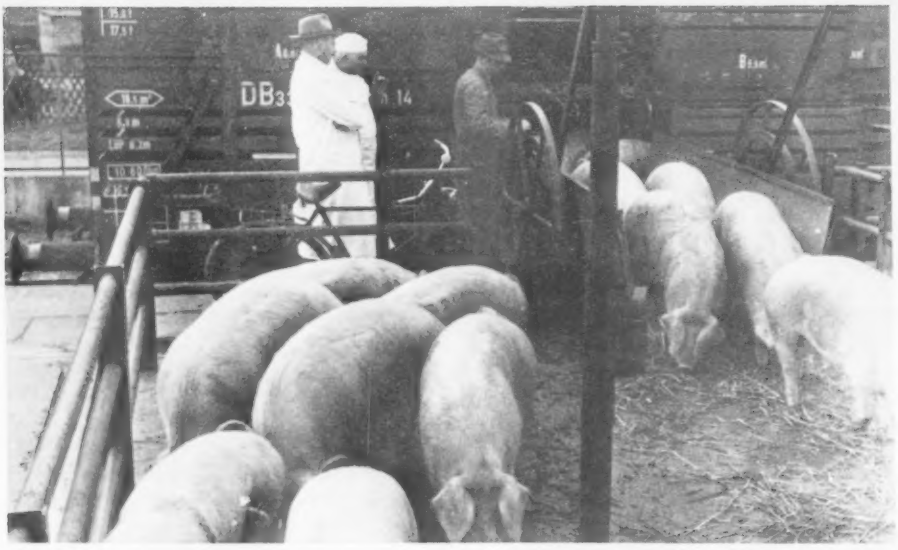

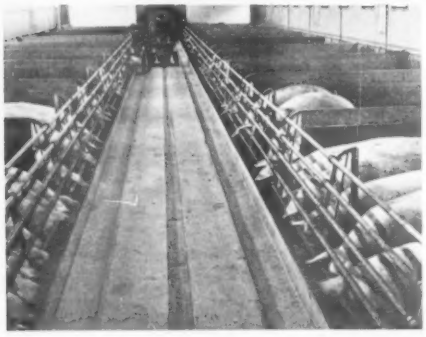

Top: Carload of young porkers being unloaded at West German rail yard. From left: Feeding room at West German swine farm; sow nursing young pigs in heated brood area. Pork makes up a large part of the West German diet. Its use outpaces beef consumption by a ratio of 2:1.

imported beef to such exorbitant levels, they virtually exclude U.S. beef from the German market.

By the time German import duties of 20 percent ad valorem, high EC variable levies—which currently range from the equivalent of US$1.54 to $3.30 per kilogram, depending on cut—and EC monetary compensatory amounts (MCA's) are added, the c.i.f. landed price is almost twice the base price.

For example, a recent calculation of these charges on boneless beef steaks from Argentina—West Germany's major beef supplier—showed that they brought the beef's landed price to $8.84 per kilogram, compared with a c.i.f. value of $4.00 per kilogram. This beef, like most imported from Argentina, was from grass-fattened cattle.

In 1978, West Germany imported about 40,000 tons of fresh, chilled, and frozen beef from non-EC countries, including about 100 tons from the United States. Of this 40,000-ton volume, only about 7,500 tons were imported under the GATT (General Agreement on Tariffs and Trade) quota, dutiable at 20 percent ad valorem. The remainder paid the full levy and duty or entered under other EC schemes that allow at least a partial levy reduction. One of these schemes often used by West German importers is the jumelage system, which links reduced-levy manufacturing beef imports to purchases of beef from EC intervention stocks.

West Germany's meat inspection requirements are strict and rather cumbersome, but must be complied with in every detail before meat can be shipped to that country.

Plants wishing to export to West Germany must receive certification from USDA's Food Safety and Quality Service that their slaughter methods and facilities are acceptable under German regulations.

German meat inspection regulations apply to red meat in any form, including cooked product. Fresh or frozen beef (and pork), other than carcasses, are eligible for export to West Germany only if a German veterinarian is present at the plant in the country of origin.

In the case of poultry, variety meats, and beef and pork carcasses, the plant must have been approved by the West German meat inspection system, but German veterinarians are not required at the plant.

German veterinarians are at present stationed only in Argentina and New Zealand. There are none in the United States primarily because their expenses must be paid by the plant to which they are assigned and the potential export volume would not justify the expense.

When a West German-approved U.S. plant wishes to export beef other than carcasses to West Germany, a veterinarian can be (and has been) flown in to inspect the shipment, but his travel time and living expenses must be paid by the U.S. exporter or the German importer. □

"... adoption of EMS does not imply any immediate structural changes in the way the (European) Community transacts agricultural business under the CAP."

EC Agrimonetary System Under New EMS

By Dan Conable

Measures designed to accommodate the European Community's Common Agricultural Policy (CAP) to the new European Monetary System (EMS) went into effect April 9. These measures imply no changes in the fundamental structure of EC agricultural prices, subsidies, and levies in the near future, but they add a new set of conversion factors and terminology to a system already baffling to those unfamiliar with the CAP.

The EMS, which entered into force March 12, is an arrangement for the coordination of exchange rates by all EC Member States except the United Kingdom. EMS replaces the so-called "snake," which at its demise included the currencies of Denmark, France, the Netherlands, Belgium, and Luxembourg.

All EC countries except Britain are full participants in EMS. All full participants except Italy have agreed to maintain the values of their currencies within a 2.25 percent band around their declared central rates, as was the rule for the snake. Italy has agreed to maintain the value of the lira within a less-restrictive 6 percent band. The United Kingdom remains outside the exchange rate discipline, although its formal "signatory" status leaves the door open for future full participation.

Under EMS, member currencies are related in a matrix or "parity grid." If movement of the value of any one participant's currency against another's threatens to break out of the agreed-upon band, the monetary authorities of both countries will intervene in order to rectify the situation. To provide adequate financial backing for currency stabilization efforts, members are required to commit 20 percent of their gold and currency reserves to an enlarged European Monetary Cooperation Fund.

With the birth of EMS, a new unit of value—the European Currency Unit or ECU—took its place in EC monetary affairs. The ECU is defined in terms of fixed amounts of the currencies of all nine EC members, and the central parities of EMS member currencies are now defined in terms of ECU's. (See table.) The ECU is used as an indicator of divergence of EMS member currencies within the parity grid, and the European Monetary Cooperation Fund will issue ECU's against deposits made by central banks.

The ECU will not function as a currency for reserve purposes, or for commercial transactions, although the creators of EMS see the emergence of the ECU as a full-fledged common European currency as a long-term goal. The ECU is already replacing the European Unit of Account (EUA) for statistical purposes, and will in time be used in a broad range of reporting and policy-setting functions.

The original impetus for establishing the EMS came from a joint French-German initiative in July 1978, which was followed by months of discussion and negotiation among the monetary authorities of potential members. By December 5, 1978, the mechanisms required to make the system work were in place, and implementation was expected by January 1, 1979.

Then progress faltered when the French announced that they would not join EMS until other EC members agreed to rapid elimination of all Monetary Compensatory Amounts (MCA's), a group of border taxes and subsidies dating from 1969 which serve to prevent changes in EC agricultural trade which might result from exchange rate fluctuations. (See *Foreign Agriculture*, Sept. 11, 1978.)

France felt that the MCA's, which subsidize German and Benelux products both in intra- and extra-EC trade, at the same time taxing French exports, (along with those of other countries with devalued currencies), have tended to negate benefits which otherwise would have resulted from French agricultural production efficiency, climate, and resources.

Germany and the United Kingdom have vehemently opposed dismantling MCA's: Germany to protect farm incomes, and Britain to forestall an acceleration of food price inflation.

After a 10-week impasse on the MCA question, a compromise was reached, involving restraint of new German and Benelux MCA increases that would result from any future currency revaluations, the possibility of consultation among Member States before new MCA amounts are established, removal of *new* MCA's within 2 years, and a statement of intent to eliminate MCA's altogether over an unspecified period of time.

Aside from these agreements on the MCA question, adoption of EMS does not imply any immediate structural changes in the way the Community transacts agricultural business under the CAP. Agricultural prices will still be set in terms of a general unit of value, then translated into Member State currencies by the use of special "green" rates of exchange which—except in the case of Denmark—differ from the rates used for most other finan-

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cial and commercial transactions.

However, common agricultural prices are now being expressed in ECU's, rather than agricultural units of account (a.u.a.'s). To keep all internal prices and subsidies at the same level that applied under the a.u.a. system, their amounts are multiplied by the coefficient 1.208953, while green rates of exchange are multiplied by 0.82716, the reciprocal of that coefficient.

Thus, under the old system the EC target price for barley in April 1979 of 158.9 a.u.a. was translated by the German a.u.a. green rate into DM540.7 (Deutsche marks), or $283.74. Under EMS, the target price is 192.1 ECU, which converts with the ECU green rate into DM540.7, as before.

Previously, when import levies and export subsidies were expressed in a.u.a., a dollar conversion rate was computed weekly on the basis of an unweighted average of the dollar exchange rates of the four EC snake currencies in order to compute levies and subsidies for products quoted in U.S. dollars.

On April 9, the a.u.a. was worth about $1.61.

This conversion will now be carried out by the unweighted average of dollar exchange rates to the six EC currencies (counting Belgian and Luxembourg francs as one currency) in the narrow (2.25 percent) band. Since only six of the eight currencies in the ECU basket will be used to set benchmark values for agriculture, the "agricultural ECU" diverges slightly in value from the full ECU value published daily in the *Official Journal of the European Communities (C Series)*. However, on April 9, when the published ECU value was about $1.34, that difference came to less than 1 U.S. cent.

The short-term result of the changeover from a.u.a.'s to ECU's may be a slight variation in import levies charged foreign imports, and on subsidies paid on EC exports, but there is no reason to expect that it will result either in a permanent increase or decrease. The variation will be slight, in any case.

The long-term impact of the system on agricultural trade will depend on the relative values of the ECU and other major non-EC currencies—the dollar in particular—in years to come. If the EMS succeeds in stabilizing European currencies, and the ECU in turn remains stable against the dollar, then the removal of the element of uncertainty could facilitate U.S./EC trade.

Since farm prices were set in terms of the agricultural units of account, and the a.u.a. took its value from the steadily appreciating snake currencies, the EC has experienced a considerable "unintended" increase in real farm prices over the last decade. The inclusion of weaker currencies in the ECU basket could have the opposite effect of bringing about a gradual decrease in EC farm prices in relation to the rest of the world.

The EC Commission—with strong support from the United Kingdom and from consumer organizations—has proposed a freeze on CAP prices for the coming marketing year. Such a freeze, in combination with a gradual decline in the value of the ECU, might relieve some of the EC's internal problems with overproduction and lessen the need for high import levies and export subsidies. However, any decrease in farmers' relative purchasing power is sure to be strongly resisted by farm groups within the Community.

Along with measures to apply EMS to agriculture, the Council of Agricultural Ministers has approved green rate devaluations (national currency farm price increases) for Ireland, Italy, France, and the United Kingdom. The terms under which CAP agrimonetary arrangements have been adapted to EMS will expire on June 30, 1979, but an extension along similar lines is most likely. □

The EC Agrimonetary System Under the European Monetary System

Country	Unit	Weight in ECU[1] (percent)	ECU Central Rate	u.a. Green Rate	ECU Green Rate	MCA Percentage	Spot rate in US$ April 9, 1979
West Germany	1 DM	33.0	0.398305	0.293912	0.355326	+10.8	0.5248
Bel/Lux.	1 BF/LuxF	9.3	.0253432	.020264	.0244982	+ 3.3	.0332
Netherlands	1 f.	10.5	.367543	.293884	.355292	+ 3.3	.4878
Denmark	1 DKr	3.1	.141125	.116733	.141125	zero	.1894
France	1 F	19.8	.172464	[2].160639	[2].194205	−10.6	
				[3].152417	[3].184265	− 5.3	.2295
				[4].144796	[4].175052	zero	
Ireland	1 £Ir	1.1	1.509120	1.26702	1.531768	zero	2.0210
Italy	100 Lit	9.5	.087097	[5].086655	[5].104762		
				[6].082305	[6].099502	variable[7]	.1186
				[8].078864	[8].095343		
United Kingdom	1 £stg.	13.7	[9]	[10]1.57678	[10]1.906253	variable[11]	2.1065
				[12]1.49794	[12]1.810939		

[1] Based on current ECU central rates. Actual construction of ECU basket: .828 DM + 3.66 BFr + .286 f. + .217 DKr + 1.15 F + .00759 £Ir. + 109.0 Lit + .0885 £ stg. = 1 ECU. Weights are identical with those used for EUA.
[2] Remains in effect for sugar until July 1, for cereals until August 1.
[3] Effective April 9 for all sectors except sugar and isoglucose (takes effect July 1), cereals (effective August 1), and pork (different rate applies).
[4] Pork sector only.
[5] Remains in effect for isoglucose until July 1, eggs and poultry until August 1, milk until December 16.
[6] Effective for milk and milk products, beef, and pork sectors until 1979/80 agricultural price package has been negotiated.
[7] Italian MCA's will be calculated weekly, since Italian partial EMS membership allows the lira to float within a 6 percent band.
[8] Takes effect for milk and milk products, beef, and pork sectors after full 1979/80 price package has been negotiated, for isoglucose July 1, for eggs and poultry August 1, for wine December 16, and for other products at the beginning of their respective 1979/80 marketing years.
[9] U.K. is not an EMS member, although the British pound is included in the basket of currencies that determine value of the ECU.
[10] Remains in effect for eggs and poultry until August 1, and until December 16 for wine and other sectors except milk and milk products, beef, pork, sugar and isoglucose until the beginning of their respective 1979/80 marketing years.
[11] U.K. MCA's will be calculated weekly, since the U.K. is not an EMS member, and allows the pound to float free of the ECU.
[12] Effective April 9 for milk and milk products, beef, pork, sugar and isoglucose; for eggs and poultry on August 1; for wine on December 16; for all other sectors at the beginning of their respective marketing years.

USDA Officials And Cooperators In China for Talks

Five USDA cooperators have reached informal agreements with China to help modernize its agriculture, according to Thomas R. Hughes, FAS Administrator.

Hughes—accompanied initially by Under Secretary of Agriculture Dale E. Hathaway—visited China in late March with representatives of the Government and seven cooperator groups. He said the projects will involve instruction and technical assistance in the use of their commodities by the U.S. Feed Grains Council (USFGC), the National Renderers Association (NRA), the American Soybean Association (ASA), Western Wheat Associates (WWA), and the American Seed Trade Association (ASTA).

The cooperator programs will lead to the development in China of baking and feed processing industries and better use of seeds and grasslands.

Other technical programs may involve cooperators representing U.S. fruit and livestock producers, but Hughes said the Chinese wanted more time to study proposals made in these sectors.

The trip was a followup of Secretary Bob Bergland's visit to China last November. The cooperator representatives who made the trip to China included:

Kenneth L. Bader, Exec. Dir., ASA, St. Louis, Mo.; Julian B. Heron, representing California fruit cooperators; Robert H. Rumler, Exec. Chairman, Holstein-Friesian Assoc. of America, Brattleboro, Vt., representing U.S. livestock cooperators; Dean A. Specht, Exec. Dir., NRA, Des Plaines, Ill.

Darwin E. Stolte, Pres., USFGC, Washington, D.C.; Wayne R. Underwood, Int'l. Mktg. Dir., ASTA, Washington, D.C.; and Eugene B. Vickers, Exec. V.P., WWA, Washington, D.C. □

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1. From left: U.S. Ambassador to China, Leonard Woodcock; Under Secretary of Agriculture Hathaway; Wang Renzhong, Chinese Vice Premier; and He Kang, Vice Minister of Agriculture. 2. FAS Administrator Hughes and He. 3. American team members negotiating livestock market development project. 4. Chinese black and white cattle on commune. 5. Bader (front) and Specht examine corn silage on Chinese commune. 6. Bagging rice bran meal at commune's feed mill. 7. American team members developing livestock promotion program. 8. Modern poultry housing near Canton. 9. An intense discussion of Chinese citrus production plans. 10. Hillside pineapple farm near Canton. 11. Vickers witnessing production methods at Beijing's only industrial bakery. 12. Vickers discussing bread wrapping methods with bakery workers.

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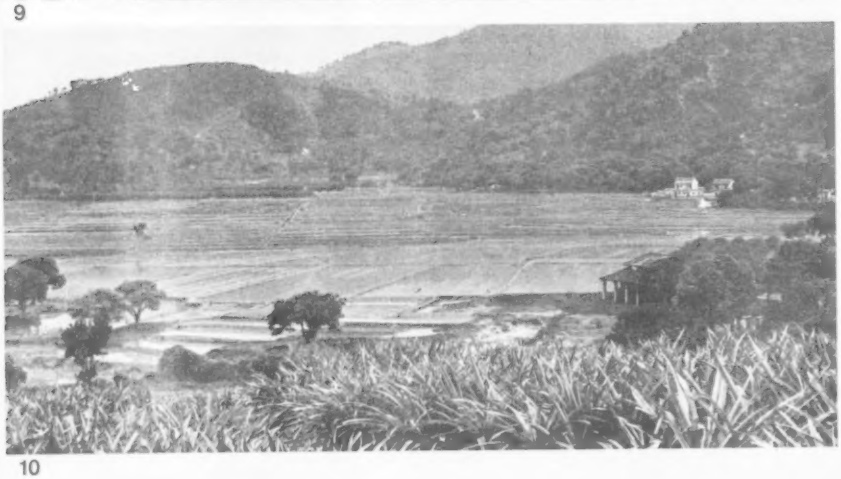

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India's Economy Again Benefits From Good Farm Output

During 1978, India's economy again benefited from generally good agricultural production that is expected to exert a continued positive effect on the economy for all of 1978/79.

India's index of agricultural production registered a 12-percent increase during 1977/78, compared with only a 3.4-percent gain for industrial production. Record foodgrain, sugar, and tea crops in 1977/78 were responsible for the sharp agricultural index increase. During 1978/79, the agricultural growth rate is expected to slow somewhat.

Although India's total export earnings rose 4.4 percent to $6.324 billion in 1977/78 (April-March), imports were up 19.5 percent over year-earlier levels to $7.140 billion, posting a deficit in balance of trade.

Total export earnings during April-October 1978 (latest data available) were 5.9 percent lower than final figures for the same period of 1977. Among agricultural commodities, tea figured in the overall decline in export earnings. Exports of cashew kernels, tobacco, coffee, and peanut extractions were also reportedly lower.

The decline in export growth is attributed to several external factors, such as the recessionary trend in world markets and the upward revision of the rupee against the U.S. dollar.

Total commodity imports during April-October 1978 were 4.5 percent higher than in the corresponding period of 1977.

The United States continued as India's largest trading partner. Although total trade in 1977 and 1978 between the United States and India was almost balanced, the United States maintained a favorable trade position in farm products of $119 million.

However, farm trade between the two countries in 1978 was substantially lower than in 1977. Major U.S. agricultural exports to India in 1978 (with 1977 totals in parentheses) were: Edible oils, $149 million ($142 million); foodgrains, $65 million ($102 million); nonfat dry milk, $15 million ($11 million); and cotton, nil ($105 million).

U.S. agricultural imports from India for 1978 and 1977 were: Cashews, $22 million ($39 million); coffee, $49 million ($42 million); tea, $6 million ($29 million); spices, $17 million ($12 million); opium, $15 million ($11 million) and castor oil, $12 million ($6 million).

To improve its export performance, the Government of India removed the export duty on tea, as of February 14, 1979; resumed exports of onions and potatoes; set an export quota for hand-picked-select peanuts; allowed sugarmills to participate in sugar export trade on an open general license; and placed gur exports on an open general license basis.

Brief summaries of India's agricultural production for 1978 follow.

Foodgrains. Production of foodgrains in 1977/78 reached a record 125.6 million tons, 13 percent higher than during the previous year. Monsoon flooding has tempered hopes for another record crop during 1978/79, but production should still be equal to that of 1977/78.

Prospects for record kharif (fall-harvested crops of rice, corn, sorghum, millet, and some pulses) production for 1977/78 were dampened somewhat by floods in several states. However, the 1978 kharif outturn is still expected to be comparable to last year's record 77.7 million tons.

The 1978 monsoon, while causing some flooding, provided excellent conditions for sowing rabi (spring-harvested crops of wheat, barley, and some pulses) foodgrains. Although there was some delay in sowing, official targets for 1978/79 wheat production (32 million tons) and total foodgrains (126 million tons) currently appear to be attainable.

Despite increased emphasis on pulse production, output has remained static at 12 million tons. Outturn during 1977/78 was 11.8 million tons, and only a marginal increase is seen for this year. As a result, the Indian Government is allowing the import of pulses under open general licensing and an estimated 50,000-60,000 tons are expected from foreign sources to help meet domestic demand.

Oilseeds. Total production of all major oilseeds in India during 1978/79 is currently estimated at 13.1 million tons—about 5 percent greater than the 12.5 million tons harvested in 1977/78.

The production breakdown for 1978/79 in thousand metric tons (with 1977/78 estimates in parentheses) is: Peanuts—in shell—5,900 (6,069); sesame, 475 (486); rapeseed and mustardseed, 2,000 (1,618); flaxseed 500 (504); castorseed, 275 (256); copra, 880 (880); cottonseed, 2,800 (2,500); and safflower, 225 (186).

A record 1.28 million tons of edible oils and about 300,000 tons of rapeseed and copra were imported during the 1977/78 season. The shortage of edible oils during the current oil marketing year is expected to be around 1 million tons in 1978/79, with imports likely to be 1-1.2 million, in terms of oil.

Exports of hand-picked-select peanuts were allowed by the Government on December 23, 1978, but limited to 25,000 tons. The trade believes that 100,000 tons or more could be ex- to be 1-1.2 million, in terms crop.

Exports of castor oil during 1979 are likely to be between 40,000-50,000 tons, compared with the 35,000 tons estimated for 1978.

Sugar. Sugarcane area and production in 1977/78 were at record levels of 3.2 million hectares and 181.6 million tons, respectively, up 12 percent in area and 19 percent in production over the previous year's levels. Mill sugar production set a record of nearly 6.5 million tons, 34 percent above the previous record of 4.84 million tons in 1976/77. Additionally, about 1.2 million tons of khandsari was produced.

Total area for this season's crop is expected to be about 3 million hectares, with cane outturn slightly

Based on a report from Ivan E. Johnson, U.S. Agricultural Attaché, New Delhi.

lower than that of last season. The first estimate for mill sugar production is somewhat below that of the previous year.

India's State Trading Corporation export entitlement for 1978 was 650,000 tons. About 640,000 tons were exported.

Cotton. Commercial cotton production during the 1978/79 season is estimated at 5.85 million bales (480 lb net), representing an increase of almost 9 percent over the previous year's production of 5.35 million bales.

Cotton imports during 1978 were limited to 290,000 bales, most of which were spillover contracts from 1977 and 25,000 bales of extra-long staple Egyptian cotton.

Exports authorized by the Government during 1978 were 310,000 bales, consisting of staple cotton (200,000 bales), Bengal Deshi (75,000 bales), soft cotton waste (25,000 bales), and yellow pickings (10,000 bales). Actual shipments were less than 50,000 bales; the remainder has either been contracted for export or is in the process of being offered on tenders.

The short-term outlook for 1979/80 is for commercial cotton production of 5.8-6.2 million bales. Commercial cotton consumption is projected at 5.6 million bales.

Jute and mesta. Strong fiber prices at the time of planting the 1978/79 jute and mesta crops and an increase in the jute support price influenced growers to expand jute area.

Loss of jute outturn in West Bengal because of monsoon floods has not been reliably estimated, but quality has been adversely affected. The crop is currently estimated at 7.3-7.8 million bales (180 kg each). Production at the low end of the range would still represent an increase over the 7.1 million bales produced in 1977/78.

Tea. Despite unfavorable weather in some producing areas early in the season and relatively less attractive prices, tea production in 1978 exceeded the record 1977 harvest of 563,000 tons.

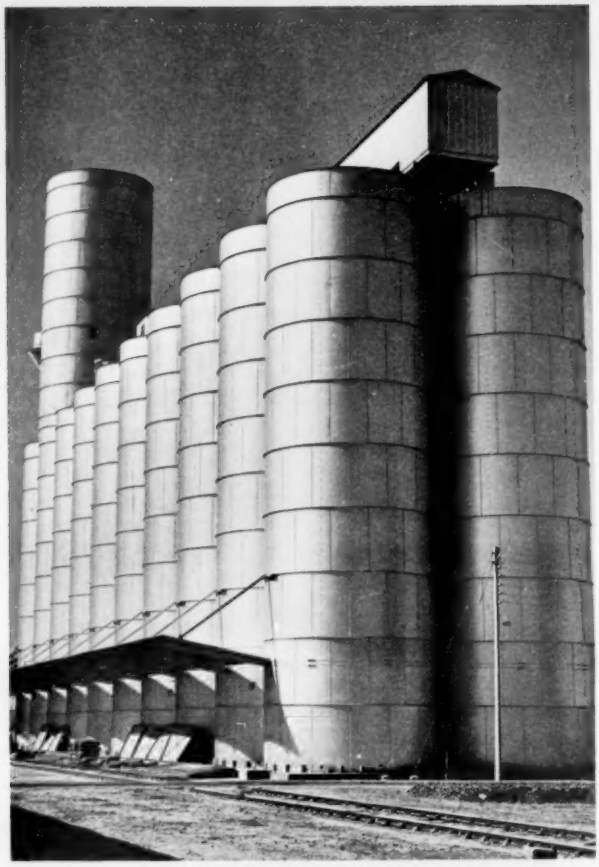
Tea exports fell sharply in 1978 primarily because of greater foreign competition following a reversal of the previous year's rising trend in prices and reduced overseas demand. Exports during January - October 1978 totaled 127,500 tons against 186,000 tons during January-October 1977—a decline of 32 percent in volume and 39 percent in value. Shipments to the United Kingdom, the United States, and the USSR were substantially lower than in 1977.

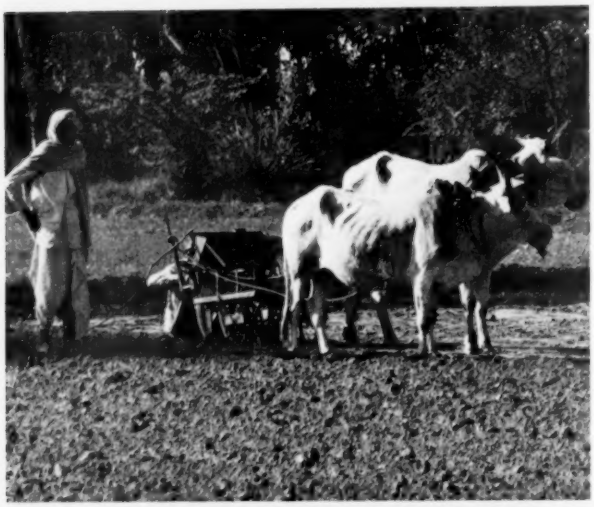
There has been some improvement in demand for Indian tea in recent months following a cut in the export duty in September 1978 and some bettering in London auction prices. On February 14, 1979, the export duty was removed completely. Nevertheless, total tea exports in 1978 or fiscal 1978/79 are expected to remain much below the level of the previous year.

Coffee. The Indian coffee crop during 1977/78 was 2.133 million bags (60 kg each), harvested from 195,000 hectares, compared with 1.791 million bags from 188,447 hectares in 1976/77.

The 1978/79 coffee crop was expected to be equally as large, but excessive rains last fall in almost all the coffee-growing areas in the south have now reduced estimates to only 1.85 million bags, including 966,700 bags of Arabicas and 883,300 bags of Robustas.

From top: Mechanical grab being used to unload sugarcane at one of India's sugar refining plants; street scene in New Delhi, India's capital. India's sugar production in 1977/78 reached a record of 6.5 million tons, 34 percent higher than the previous high mark.





From top: Grain silo at Hapur, India; Indian farmer in Harayana State preparing field for winter sowing operations. Indian farmers again harvested a number of record crops in 1977/78, and the agricultural production index registered a 12 percent gain. Production of foodgrains was a record 125.6 million tons, 13 percent greater than output the previous year. Several other crops, while not records, were of bumper proportions.

Coffee exports during 1977/78 (October-September) were just over 1 million bags, compared with 916,670 bags during 1976/77. The Coffee Board's allocation for export from the 1978/79 crop is only 975,000 bags, but with the large exportable surpluses carried over in the pool from last season's crop, exports this season should be larger at about 1.1 million bags than in 1977/78.

Cashews. The small imports of cashews and the control measures and pricing policy of the Government for indigenous raw nuts caused a serious dislocation in India's processing and export of cashews. Exports of cashew kernels during 1978 declined sharply to only 20,000 tons, compared with 38,278 tons in 1977.

Pepper. India's high prices for pepper during the past two seasons reduced exports during 1979 and actively helped Indonesia and Malaysia gain some dominance in world markets.

Exports during 1978 are estimated at 20,700 tons, compared with 25,264 tons shipped during 1977. The outlook for exports during 1979 appears to be not much better since the price differential between Indian pepper and that of other producing countries, such as Indonesia and Brazil, is as much as 20 cents or more per pound. Good pepper harvests in Indonesia and Malaysia have decreased India's export prospects this season.

India's 1978/79 pepper crop (November-October) is forecast at 35,000 tons.

Tobacco. The Office of U.S. Agricultural Attaché in New Delhi places the 1977/78 Indian tobacco crop at 430,000 tons (farm sales weight basis). Flue-cured Virginia tobacco output is estimated to reach 145,000 tons.

Tobacco stocks are estimated to have increased substantially during 1978, particularly those of flue-cured Virginia tobacco.

Production in 1978/79 is expected to remain above the 400,000-ton mark. Flue-cured Virginia tobacco production is expected to be cut back to 125,000 tons, but the cutback is not expected to be enough to prevent further rises in stocks.

Larger tobacco exports could moderate the stock increase, but the nonaggressive export activities of the Tobacco Board indicate tobacco exports during 1979 and 1979 will remain at the usual 65,000-70,000-ton level.

Dairy and Livestock. India's cattle population is the largest in the world, but the productivity of Indian animals is among the lowest. Milk production during 1978 is estimated at 25 million tons from 49.6 million cows and 27 million buffalos. Efforts are underway to improve milk production through upgrading indigenous cattle by crossbreeding them with imported dairy cattle and semen.

In June 1979, a major dairy development program —aimed at developing the dairy industry in four major urban areas—will begin operation.

The major objectives of the project are to increase the number of crossbred cows and buffalo to 15 million head, establish a national network linking rural milk sheds with major demand centers covering a population of 150 million people, establish a supporting infrastructure to provide semen and vaccines to participating milk producers, and promote the development of facilities to process dairy products. □

Caribbean Tradesmen To See New U.S. Products at FAS Food Show at Aruba, May 15-17

Tradesmen from throughout the Caribbean who visit the Aruba, Netherlands Antilles, food show, May 15-17, will have the opportunity to examine and taste U.S. food products—literally dozens of which are new to the Caribbean market—from a full line of U.S. prepared foods. And participation in the FAS trade-only exhibit will give U.S. companies a chance to show the versatility of their products as foods will be displayed in packs of all sizes—retail, institutional, and in bulk for further processing and/or packaging.

After the food show, a sales team of participants will visit nearby Curaçao, later dividing, with half going to Maracaibo, Venezuela, the other half to St. Maartens—also in the Netherlands Antilles. To make a triple header of the event, U.S. wine- and cheese-tasting receptions will be held in Aruba and Maracaibo.

The exhibit is receiving strong support from the Aruba Chamber of Commerce, which in the past has sponsored breakfast meetings between U.S. exporters and Antillean importers. This year, the Curaçao Chamber of Commerce will sponsor a breakfast.

About 25 participants in the exhibit will represent some 35 companies showing 400-500 products. About half of the companies have never exported to the Caribbean and several have never exported any of their products.

Among the many U.S. agricultural products to be promoted at the Aruba show and on the sales team trip will be whole canned and fresh chicken and turkey parts, further processed turkey products, fresh and dried cream and milk, cheese, dietetic and infant foods, a wide variety of portion-controlled beef products, and hams, sausage, and other pork products.

Although taking place in Aruba because of its location, facilities, and market strength, the exhibit's targeted area will include all of the Caribbean islands, the countries on the northern tier of South America, and those in the southernmost part of Central America.

Information about the exhibit has been sent to 12 countries in the region, an area to which the United States exported about $200 million worth of prepared food items in 1978. Aruba alone took some $28 million in consumer food exports in 1977—the last year for which data are available—out of total agricultural exports to Aruba of $44.7 million.

U.S. exports to Aruba in 1977, in millions of U.S. dollars, consisted mainly of: Beef, pork, and other red meat products, 7.1; all poultry products, 4.8; chicken parts, 3.6; preserved vegetables, 2.2; fresh vegetables, 1.5; fruit and vegetable juices, 1.5; fresh fruit, 1.1; preserved fruit, 0.8; wine, 0.7; nuts, 0.6; and bakery products, 0.5.

Firms and individuals interested in participating in FAS promotional events can get full information by writing to the Director, Export Trade Services Division, FAS, U.S. Department of Agriculture 20250, telephone (202) 447-6343. □

South Africa Has Smaller Corn Crop

South Africa's corn crop, about to be harvested, is estimated unofficially at 6.5 million tons, down from the previous estimate of 7.5 million tons and last year's outturn of 10 million tons. The current crop has been plagued with moisture shortage since planting time last September.

With a 6.5-million-ton corn crop, export availability during 1979/80 (May-April) would be approximately 1.2 million tons—36 percent of the recent 5-year export average. The drought has been most serious in the western corn areas, where white corn predominates. As a result, it is estimated that all white corn will be needed for domestic food use and none will be available for export this season.

One-third of the country's corn available for export is committed to Taiwan. In years of plentiful supply, Taiwan has taken up to 600,000 tons, but this year only roughly 400,000 tons would be available if the exportable surplus is around 1.2 million tons. This would leave 700,000-800,000 tons for other destinations, based on the latest estimates. South Africa could favor sales from the residual availability to nearby Zambia, Rhodesia, and Mozambique, where corn crops have been reduced by drought. □

FAS Health Food Shows Planned for Fall in London and Paris

Sales successes reported by participants in two FAS health food shows held in Zurich and Stockholm in September and October 1978 have prompted FAS to schedule another pair in Europe in the fall of 1979. They are tentatively scheduled for:

PARIS	**October 17-18**
LONDON	**October 24-25**

Health Food manufacturers and/or exporters interested in participating should contact the Director, Export Trade Services Division, FAS, U.S. Department of Agriculture, Washington, D.C. 20250, or phone (202) 447-6343.

IICA: Spearhead Of Rural Development In Latin America

By José E. G. Araujo

Four decades ago the breadbasket of the world—exceeding even the United States in exports of grain—Latin America today is struggling to keep food production rising apace with population.

Abundant agricultural resources still serve as a keystone for economic growth in a few nations—notably Argentina and Brazil. Considerable untapped potential exists in others. But the vast majority of Latin America faces mounting food deficits alongside difficult land and population distribution problems, including the ongoing flight from farm to city in countries such as Venezuela, Peru, and Mexico. The resulting strain on social services, food supplies, and housing in capital cities; the environmental problems that result from urban population growth rates of 4.3 percent or more a year; and the depopulation of the countryside have brought serious imbalances.

Latin America must cope with high levels of malnutrition.

A number of national and international organizations are addressing these problems through technical and financial assistance to agriculture throughout Latin America. Among these groups is the Inter-American Institute of Agricultural Sciences (IICA), the specialized agricultural development arm of the Organization of American States (OAS).

IICA was established October 7, 1942, as a corporation on a 1,000-hectare farm in Costa Rica, changed to an inter-American organization in 1944, and recognized in 1949 as a specialized agency of the Organization of American States.

Since then, it has grown to the point where it now has programs in virtually all of Latin America and the Caribbean. The only exceptions, in fact, are the Bahamas, Grenada, Surinam, and Cuba. And the first three of those nations are on their way to becoming members of IICA.

Since 1960, IICA's main headquarters has been in San José, Costa Rica. IICA also has regional offices in four countries—Guatemala, the Dominican Republic, Peru, and Uruguay. It also has 24 national offices.

During the 37 years of its existence, IICA has trained more than 40,000 Latin American professionals, and its total budget has stair-stepped to an estimated $25 million in 1978/79. Quotas of the member states contributed approximately $10 million of that total.

(The United States contributed $5.6 million for 1977/78.)

The Simon Bolivar Fund, established in 1974 on an initial $10-million contribution by the Government of Venezuela and now financed multinationally on a voluntary basis, contributed another $3.2 million in 1978 for rural development. Contracts and grants for specific purposes from international and national institutions made up the remainder.

Such contracts and grants are expected to expand significantly in the future reducing the proportion of the total budget from quota contributions.

At present, IICA has 227 international professional-level technicians in 25 countries of the Americas. Of this number, 160 belong to the so-called regular staff and 67 are assigned temporarily to specific projects.

Working largely through national and multinational organizations, which carry out programs financed and planned in part by IICA, the Institute hopes to achieve three major goals:

- Increase farm production in line with growth in population and purchasing power, focusing on products that may be competitive in world markets and those that can improve the nutritional level of the people;
- Boosting employment opportunities in the rural sector in line with the growth rate of the active rural population;
- Increasing the rural population's participation in development activities and giving farmers a greater say regarding agricultural policy.

IICA's overall strategy is to improve national institutional capabilities.

To carry out its objectives under this strategy, IICA has seven major action areas: (1) Information and documentation on rural development; (2) education for rural development; (3) research and transfer of agricultural technology; (4) agricultural production, productivity, and marketing; (5) regional rural development; (6) structural changes and "campesino" (landless farmers) organization; and (7) formulation and administration of agricultural policy.

Specific projects under these seven areas are numerous.

IICA is, for instance, working with the countries of Latin America toward improving their information and market reporting systems.

This work is being coordinated by the IICA's Inter-American Center for Agricultural Documentation and Information (CIDIA), whose accomplishments have included production and dissemination of magnetic tapes containing documentary data on agricultural literature. The first stage of that program—launched in 1977—included 1,200 bibliographic references per month.

Research efforts have included technical cooperation and advisory services for national and regional institutions. For instance, IICA has worked with the Brazilian state research agency, EMBRAPA, in developing institutional capabilities and linkages with other specialized groups.

IICA likewise has cooperated with the Bolivian Government in creating the Bolivian Institute of Agricultural Technology (IBTA) and continues to lend support.

The author is Director General, Inter-American Institute of Agricultural Sciences, San Jose, Costa Rica.

In Ecuador, IICA has helped the National Agricultural Research Institute (INIAP) analyze and plan a national research program in coffee.

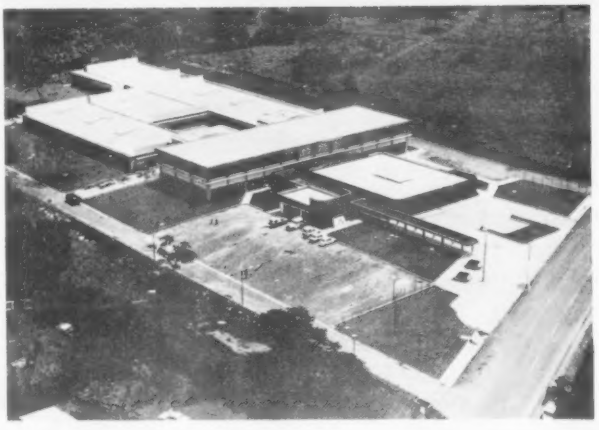
Educational efforts have included work with the Government of Haiti on a new educational system for rural areas. The project is intended to reach people at all age levels. It is based on traditional forms of organization of the country's rural population, with techniques applied elsewhere.

IICA has spearheaded efforts to improve agricultural marketing for rural development in Latin America by establishing an Hemispheric Agricultural Marketing Program in 1972. Today, this program has agricultural marketing activities in 20 countries of the region.

Improved management and planning also are being stressed by IICA. For instance, it is cooperating with member countries in setting up sectoral planning offices and on developing planning methodologies adapted to the rural conditions of each country.

IICA also is assisting national and regional programs aimed at boosting crop production through systems of production and commodity-specific projects. Inputs and products covered range from legumes in Guyana to seed improvements in Haiti; grains in Costa Rica; coffee in El Salvador, Honduras, and Guatemala; Andean grains like "Quinua," in Peru; and water conservation and management in Chile and Panama.

Unemployment and the flight of workers from farms to cities are being attacked through a variety of approaches. One is to encourage off-farm employers—particularly agro-industries—to establish operations in rural areas.



From top: A 1977 agreement, signed by the author (right) and John L. Nickel, Director General of CIAT, a Colombian research agency, extended IICA activities to Colombia; IICA headquarters in Costa Rica: IICA field technicians working with "campesinos."

Agrarian reform continues to receive attention in development projects assisted by IICA. Increasingly, however, agrarian reform movements first concerned with land redistribution—from the rich to the poor—are moving toward providing smallholders with the inputs needed to make better use of their land.

The need for increased food production and improved institutional capability is obvious. In the face of rapid population growth and rising incomes, Latin America faces a potentially serious food crisis.

In a number of countries, per capita agricultural production is actually declining, while food and agricultral imports have been on the rise. Last year, that import bill was probably in the neighborhood of $6 billion, or 2½ times the $2.4 billion worth of farm products imported in 1972.

Moreover, many people still are squeezed out of the marketplace entirely. Even in the mid-1970's, more than half the Latin American population had a per capita income under $150 a year, and earnings of over three-fourths of the campesinos did not even reach $100 a year.

Thus, IICA and similar organizations are faced with the many-sided problem of not only finding ways to boost food output, but also to improve the lot of the small farmer in Latin America. □

U.S. Meat and Potatoes High on Popularity List At Tokyo Exhibit

By J. Don Looper

In the American vernacular, the term "meat and potatoes" traditionally refers to plain food without gourmet pretensions—enjoyed by ordinary folks with ordinary palates. Not so in Japan.

For one thing, the type of fed-beef enjoyed by Americans is retailed in Tokyo at prices ranging up to $20 per pound. As for potatoes, traditional Japanese meals are more likely to include rice or noodles.

This could all be changing, however, provided American exporters can find ways to get their products into Japan competitively and with fewer restrictions at the border. Certainly, American beef and potatoes were showstoppers at the American Food Festival held in Tokyo March 12-16.

The U.S. exhibit was part of an International Food Exhibition held jointly with the 1979 International Hotel and Restaurant Show at Harumi Pier on Tokyo Bay. The United States was one of 13 countries represented at the Food Exhibition. Its participation was sponsored by the U.S. Department of Agriculture and its agricultural attaché in the American Embassy in Tokyo.

Five U.S. exhibitors showed and sampled potato products—mostly frozen and dehydrated hash browns, french fries, and mashed potatoes—prepared on the spot for Japanese food buyers attending the show. Potato exhibitors from Idaho, Oregon, and other States were jubilant, although there exists some entry problems for dehydrated products.

Beef is a more complex problem. Japan's limitations on beef imports are a major handicap to U.S. exporters, despite an obvious and growing demand for beef among Japanese consumers. This demand was amply demonstrated at the Harumi show when 20 tons of U.S. beef was sold in less than half a day.

Said Jack Runyan, director of the Missouri Department of Agriculture and president of the Mid-America International Agri-Trade Council (MIATCO)—an export council of 12 midwestern States—at the Tokyo show: "Traffic at the show has been intense. The Japanese Government issued a special beef quota to be sold here at the show. That quota was sold out in 4 hours by four companies represented here."

The beef went to institutional buyers aware of the growing Japanese demand for U.S. beef.

The special allocation was part of a promotion effort growing out of the multilateral trade negotiations. Details of the promotion were worked out by the Office of the U.S. Agricultural Attaché in Tokyo, and the U.S. Meat Export Federation, a nonprofit promotion group headquartered in Denver, Colorado.

The trade agreement called for special efforts by the two countries to promote high-quality U.S. beef in Japan. This year's special Harumi quota was sold to Japanese hotels and restaurants with the proviso that additional promotions be carried on within their establishments.

The beef was sold at prices reflecting actual market value without the surcharge normally added by the Japanese Government for domestic resale. These surcharges raise beef prices to unrealistic levels, enabling Japan to hold down imports in the face of strong U.S. objections.

Japan has, in fact, granted some increases in beef quotas, although annual consumption is still less than 10 pounds per person. Imports from all sources increased from 85,273 tons in 1977 to 101,137 tons in 1978. Australia continues as the dominant supplier of beef to Japan, but the United States won an increasing share of the 1978 market.

U.S. sales of beef to Japan increased from 7,528 tons in 1977 to 13,152 tons in 1978. During the Multilateral Trade Negotiations in Geneva, the Japanese offered to increase imports of high-quality beef to 30,800 tons by 1983. The United States is the largest supplier of this type of beef.

Fifty U.S. food exhibitors from 16 States displayed about 400 food products especially selected to meet the demands of Japan's affluent consumers. Convenience and consumer-ready items were highlighted. These foods make up a growing share of U.S. agriculture's total sales to Japan, currently account-

Mr. Looper is Director of Information, FAS.

Clockwise from above: Robert Bangs, Washington Royal Foods, Bellevue, Wash., discusses prices with potential Japanese buyer; exhibit visitors sample fruit cocktail at California Valley Exports booth, while representative Kazuo (Julian) Tagawa (left) hands out literature; product sampling at Ocean Spray cranberry booth; overall view of Tokyo exhibit.

ing for about one-half billion dollars of the nearly $4.5 billion of annual agricultural sales to Japan.

The show at Harumi Pier drew more than 81,000 visitors. U.S. exhibitors reported onsite sales of $2.25 million and projected sales over the next 12 months of $42 million.

Ten exhibitors displayed and sampled red meats, with seven showing poultry and poultry products.

Other featured displays included seafood, fruits and nuts, potatoes and other vegetables, snack foods, and an array of sauces, wines, dressings, soups, and a variety of bases.

Phil Holloway, Assistant U.S. Agricultural Attaché in Tokyo and manager of the exhibit, said that California —with 17 companies—had the largest representation, promoting California citrus, raisins, prunes, vegetables, and wines.

Firm participation from Minnesota, with seven companies, was the largest that State had in Japan in recent years, Holloway continued.

Other participating States included Washington (four exhibitors), Illinois, Oregon, and Pennsylvania (two exhibitors each), as well as Wisconsin, New York, Michigan, Virginia, Colorado, Iowa, Utah, Missouri, Nebraska, and Mississippi.

Massachusetts was also represented at the Tokyo exhibit by Horst Class, director of international marketing for Ocean Spray Cranberries, Inc., one of the contractors under market development export incentive programs of the Foreign Agricultural Service of the USDA.

At the Tokyo exhibit, Class mentioned, "We're showing two of our drinks that were introduced to the Japanese market 2 years ago—cranberry juice and cranapple juice (cranberry and apple juice blend).

"The cranberry was unknown in this part of the world," continued Class, "and a lot of educational work still has to be done. But we have found that people have tried the products and come back again and again to try more."

Following the Tokyo show, 29 of the 50 exhibitors moved on to Hong Kong for a U.S. solo exhibit on March 20-22. There, they were joined by some 24 additional concerns to bring that show to 53 U.S. participants. Products displayed were similar to those shown in Tokyo. □

FAO Commodity Analysis: Taking The Pulse of World Agriculture

By A.G. Leeks

The international commodity picture has seen dramatic changes since the early 1970's: World exports of agricultural, fishery, and forestry products have more than doubled, rising from $72 billion in 1971 to $189 billion in 1977; the world cereal economy has swung between surplus and shortages and back to surplus; the international sugar market shifted from severe scarcity to overproduction in just 2 years; and dairy products and wine have remained in surplus, while short supplies of coffee and cocoa have sent prices soaring. The 1970's have also witnessed diverse price trends in commodities, such as rubber, bananas, citrus, beef, and tobacco.

Trying to anticipate such market fluctuations so as to reduce uncertainty and promote a more orderly growth of world agriculture is the work of the commodity analysts of the United Nations Food and Agriculture Organization (FAO).

The author is Director of the Commodities and Trade Division, Economic and Social Policy Department, Food and Agriculture Organization of the United Nations, Rome.

In the United States, farm exports approach $30 billion annually, making a positive contribution to the balance of payments and giving the U.S. farmer a major interest in world markets.

Commodity trade is even more vital to developing countries, whose agricultural exports earn over $50 billion annually and provide one-third of the foreign exchange needed to finance imports essential for their development efforts. At the same time, these nations rely increasingly on imports to bridge the gap in their food supplies.

Two central agricultural trade goals of developing countries, therefore, are ensuring a sustained expansion of foreign exchange earnings and strengthening the security of their food supplies. Working out acceptable solutions for these and related issues, such as price instability and the competitive challenge of synthetics, calls for close international cooperation.

To achieve these goals FAO's commodity work concentrates on four areas:

• World production, trade, and price statistics for farm, forestry, and fishery products provide a basic reference tool for trade decisions.

• Specialized commodity analyses and outlook reports assist member countries in deciding on their national policies and provide a basis for joint action.

• Intergovernmental consultations, organized by FAO on problems of specific commodities, promote a consensus among both producers and consumers, thus minimizing international damage from conflicts between national policies.

• FAO missions advise countries in need of assistance on national commodity problems and trade developments.

• The dramatic reversal in the world food situation in 1972/73 made many governments aware that current information on both their own crops and world food supplies were inadequate. Most exposed by these shortcomings were the 1.4 billion people living in developing countries threatened with recurrent crop failures, and heavily dependent on the availability of supplies on international markets.

To fill this gap, FAO set up the Global Information and Early Warning System on Food and Agriculture in 1974. The System, operated with the collaboration of over 90 countries, monitors supplies and demand at both the world and the country level for basic foods, as well as agricultural inputs, such as fertilizer.

The global food outlook is kept under constant review, and a comprehensive report is published each month, assessing cereal production and trade, emphasizing world stocks, import needs of developing countries, and questions of global food aid and security. It also reviews developments for other major food commodities.

In addition, the System pinpoints countries where serious food crop shortfalls are imminent, assesses their import requirements, and telexes special alerts of these threatened food shortages to potential donors, relief agencies (such as the International Red Cross), and the U.N. Disaster Relief Coordinator.

Though handicapped by incomplete and not always reliable data, the FAO System has a rainfall monitoring system in drought-prone areas. Thus, FAO had advance warning in September 1977 of the 1978 food shortages in the Sahel zone of West Africa and was able to alert governments and reduce the time lag in arranging relief.

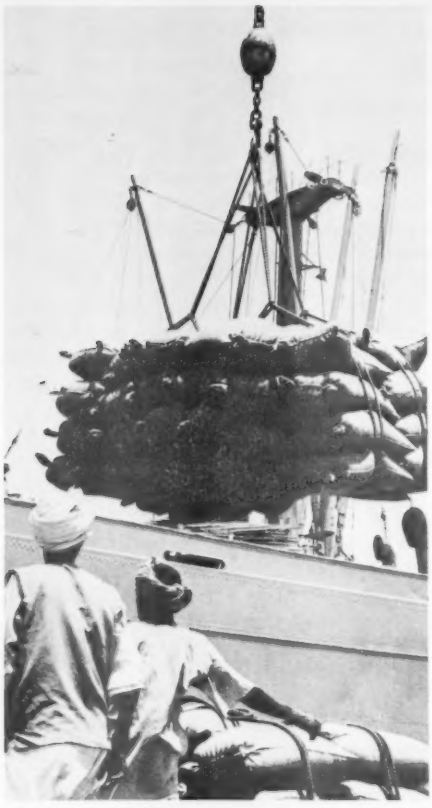
The longer range food outlook is kept under review in FAO's Commodity Projections studies, which also cover tropical products and agricultural raw materials.

Some of the highlights of FAO's projections to 1985 for basic food (assuming current policies will be continued) include:

Grains. Developing countries will be increasingly dependent on developed countries for their staple grain imports. If present trends continue, their food and feedgrain gap will widen from the current 70 million tons to over 90 million tons by 1985. Food and feed aid requirements are likely to grow apace.

Rice. Exporting countries will be eager to enlarge their share of a growing world rice market. Import demand for rice is projected to rise at double the historical rate, reaching 10-11 million tons by 1985.

Fats and oils. Increased competition between exporters and downward pressure on prices is expected in oilseeds, oils, and fats markets where the



Clockwise from photo at far left: The U.N. Food and Agriculture Organization cooperated with the Sudanese Government to improve output of peanuts, shown here being loaded aboard ship for export; FAO food stockpiled for Nigerian refugee relief; refugee family in camp.

key development is a projected doubling over the level of the early 1970's of net export availabilities to over 9 million tons by 1985 in Southeast Asia and Latin America.

An even sharper rise is projected in potential import needs of developing countries, but balance-of-payments problems will probably limit their capacity to import on commercial terms.

Meat. The changing structure of trade and the cyclical nature of production are likely to be continuing causes of instability in world meat markets, particularly in beef. Further increases are expected in U.S. and Japanese imports, as well as in those of Near East countries, but the European Community's (EC) imports may decline sharply. World export supplies are projected to reach 8.7 million tons, carcass weight equivalent, by 1985, compared with actual net exports of 6.9 million tons in 1972-74.

Sugar. The rise in the world's sugar trade is expected to slow down, reflecting growing self-sufficiency in the EC, Eastern Europe, and the USSR.

Since each commodity has its own problems and its special characteristics, the FAO's Committee on Commodity Problems (CCP), in which the United States has played a leading role, has over the years established a series of specialized, intergovernmental commodity groups of governments of interested producing and consuming countries.[1]

These groups meet regularly to review world trade prospects and to test new ideas to resolve commodity problems.

In some cases, such as jute or hard fibers, the groups operate informal agreements to regulate trade within agreed price ranges. In other instances, such as tea or bananas, the groups serve as the forum for prenegotiations on possible international commodity agreements.

In the case of cocoa and olive oil, the CCP sponsored the preparatory work that led to the present agreements. For rice and meat, international guidelines to harmonize national policies have been adopted. Similar guidelines are being considered for the oilseeds sector.

Multicommodity problems are dealt with in a similar way. The CCP's Consultative Sub-Committee on Surplus Disposal (CSD), an intergovernmental group established in 1954, holds monthly meetings in Washington, D.C. to monitor bilateral and multilateral food aid transactions. It serves as a watchdog to ensure that the FAO Principles of Surplus Disposal are respected and that normal commercial trade and production are not disturbed.

The FAO has a responsibility for working out international schemes to meet world food problems. Its concept of an internationally coordinated system of national grain stocks was accepted in late 1974 and led to the adoption of the International Undertaking on World Food Security.

Developing countries are helped to set up their own national security stocks, storage, and early warning systems under FAO's Food Security Assistance

[1] *There are eleven intergovernmental groups covering the following commodities: Rice (established 1955), Cocoa (1956), Grains (1957), Citrus Fruit (1959), Jute, Kenaf, and Allied Fibers (1963), Oilseeds, Oils, and Fats (1965), Bananas (1965), Hard Fibers (1966), Wine and Vine Products (1968), Tea (1969), Meat (1970).*

Scheme, which operates with voluntary trust funds of over $28 million pledged by a small number of interested countries, mainly West European. Donations of grain for building stocks are provided by food-aid supplying countries, including the United States, usually under bilateral programs.

Individual developing countries have also asked FAO for advice on commodity policies for export expansion or import substitution at the country level. FAO missions have advised Malaysia, Pakistan, Brazil, and Chile on national commodity policies for feedgrains, oilseeds, sugar, and cotton. National workshops organized on the agricultural outlook are given a world perspective by FAO specialists. Dairy and meat economists advise countries on investment projects.

Very few governments can match the U.S. Department of Agriculture's capacity to provide the nation's policymakers, farmers, and exporters with up-to-date trade information and analysis. Hence, FAO offers a worldwide service, issuing statistics and assessing international market, price, and crop developments in order to help 144 member countries adjust their policies to changing world conditions and to foresee emerging problems.

The FAO Monthly Bulletin of Statistics provides timely estimates of world production, prices, and trade in agricultural commodities. FAO also provides trade volumes and prices for tropical woods and products, and fishery statistics to monitor the global catch and assess world market developments.

FAO issues a series of annual statistical yearbooks, with separate production and trade volumes for agricultural commodities, fishery products and the fish catch, and forestry products.

All of these statistics are global in coverage, with country-by-country detail. Data are derived from numbers provided by cooperating member governments, including the United States.

FAO makes regular economic appraisals of over 70 food and agricultural commodities as well as special commodity reports on topical questions. Recent reports covered high fructose syrup competing with beet sugar and sugarcane, petro-chemical products competing with natural fiber and rubber, as well as the long-range trade outlook.

In the immediate future, FAO will lay greater priority on helping member-countries strengthen their commodity expertise, advising on national policies, and backstopping investment projects.

But several well-established activities will also be developed: Providing technical support to the UNCTAD (United Nations Conference on Trade and Development); covering more products of special interest to developing countries, including pulses, starchy roots, and hides and skins; analyzing relationships in the feed-livestock sector; evaluating the commodity implications of the enlargement of the EC; and strengthening the Global Information and Early Warning System.

In addition, part of FAO's future commodity trade work will be in response to unforeseeable shifts in market conditions, so its programs must be capable of being quickly modified to meet the requirements of member-nations. □

Continued from page 9

Little Response

would add to storage costs.

In Illinois, according to tax officials, no taxes are levied on stored grains. In Oregon, the personal property tax, which is paid on stored grain, is being phased out. In the State of Washington, the inventory tax (a county tax) is likewise being phased out, but there is a business and occupation tax paid on agricultural products processed in Washington.

In Louisiana, grain destined to be exported is not subject to an ad valorem tax if the grain is in its original form and in public storage. The personal property tax, which is paid on stored grains, varies from parish to parish.

Although no foreign government has decided to purchase storage facilities or to accumulate stocks in this country under EAA-77, foreign companies have invested in U.S. storage. In fact, subsidiaries of two Japanese trading firms have recently done so. One firm purchased seven grain elevators located in Heloise, Tenn., Dorena, Mo., Denison and Hartley, Iowa, and Chilicothe, Henry, and Peoria, Ill. Another Japanese firm also has subleased an elevator in Portland, Oreg.

Both firms maintain that their purchase of U.S. storage facilities were not a result of EAA-77, but were part of a normal program to expand their investments in the world grain trade. Japan, according to both companies, would not be the only destination for grain initially stored in these elevators.

One Japanese company has estimated that only about 10 percent of the grain stored in its newly acquired facilities would be sold to Japan.

Japanese investment in U.S. storage facilities is not new. One of the subsidiaries involved in the recent acquisitions has invested in U.S. storage facilities since the early 1960's and has maintained a 2.5-million-bushel storage facility for corn and soybeans in Farmer City, Ill. In Washington and Montana, it controls a total of four elevators, two in each state, with a total capacity of 10 million bushels. □

China To Buy Canadian Wheat

China has signed an agreement with Canada to purchase up to 10.5 million tons of Canadian wheat over a 3-year period beginning August 1. The pact is the largest of five concluded by the countries since 1961.

The agreement calls for export of a minimum 8.4 million tons and a maximum 10.5 million tons under separate contracts covering specific quantities in certain periods.

As in previous agreements, terms call for 25 percent cash when each ship is loaded, with the balance payable, with interest, in 18 months. The credit terms are guaranteed by the Canadian Government to the Wheat Board.

Canada shipped about 40 million tons of wheat to China under several successive contracts negotiated during January 1961-June 1978. The first important sale was negotiated in January 1961 for 821,000 tons of wheat and 263,400 tons of barley.

International Meetings—May

Date	Organization and location
1	Agribusiness Export Seminar, Kansas City, Missouri.
2	Agribusiness Export Seminar, Des Moines, Iowa.
7-June 1	UNCTAD V, Manila.
7-11	OECD Cooperative Research meeting, Paris.
8-11	OECD Seed Scheme meeting, Paris.
10	Secretary Bergland and ministers of several major wheat exporting countries, Saskatchewan, Canada.
10-11	American Cotton Shippers Association, annual meeting, Memphis, Tennessee.
10-17	Inter-American Institute of Agricultural Sciences, directors, La Paz, Bolivia.
14-18	U.S. Romanian Working Group on Agricultural Trade and Cooperation, Bucharest.
14-18	OECD Fruit and Vegetable Scheme meeting, Paris.
14-25	UN/FAO Committee on Food Aid Policies and Programs, Rome.
17-18	OECD High-level Group on Agriculture, Paris.
18-21	Meeting with German Democratic Republic trade officials, Washington, D.C.
21-25	U.S. Polish Working Group on Agricultural Trade, Warsaw.
27-30	Tobacco Association of the United States, annual meeting, White Sulphur Springs, West Virginia.
27-June 1	OECD Research Information Systems meeting, Paris.
31	Agribusiness Export Seminar, Atlanta, Georgia.
31-June 1	Semi-annual grain consultations with USSR, Moscow
May/June	U.S. European Community semi-annual bilateral discussions, Brussels.

Trade Teams—May

U.S. Teams Overseas

Date	Organization	Visiting
Apr. 21-May 13	Mohair Council team	Spain, Italy.
Apr. 22-May 15	U.S. mixed feed study team	USSR
Apr. 29-May 5	American Brahman Breeders Assn. representatives	Mexico
5-24	Great Plains Wheat Board team	Mexico, Guatemala, Panama, Chile, Brazil.
6-11	American Brahman Breeders Assn. representatives	El Salvador
8-June 1	U.S. seed mission	Belgium, Switzerland, Hungary, USSR.
18-June 2	U.S. cotton trade mission	Romania, Hungary, France, U.K.

Foreign Trade Teams in the United States

Date	Organization	Visiting
Apr. 16-May 12	Japanese flour millers' team	California, Oregon, Idaho, Colorado, Oklahoma, Texas, Louisiana, New York, Illinois, Washington, D.C.
Apr. 20-May 6	Portuguese feed manufacturers' team	New York, Illinois, Missouri, Kansas, Texas, Louisiana, Ohio, Washington, D.C.
Apr. 26-May 11	Japanese soy protein-soy oil team	California, Missouri, Illinois, Nebraska, Colorado.
Apr. 28-May 16	Egyptian flour team	Minnesota, Missouri, Colorado, Kansas, Texas, Georgia, Washington, D.C.
3-18	Polish feed team	Missouri, Arkansas, New York, Washington, D.C.
6-18	Polish poultry feed team	Illinois, New York, Massachusetts, North Carolina, Georgia, Washington, D.C.
18-June 19	Southeast Asia baking team (from Singapore, Thailand, Malaysia, Hong Kong)	California, Oregon, North Dakota, South Dakota, Minnesota, Kansas, Colorado.
19-27	West German feed team	Texas, Iowa, Illinois, Washington, D.C.
28-June 18	South Korean flour millers' team	Washington, Oregon, Utah, Colorado, Oklahoma, Kansas, Nebraska, Illinois, Washington, D.C.

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U.S. Foods At Berlin Green Week

Clockwise from above: West German Minister of Agriculture Ertl smokes Indian peace pipe at U.S. exhibit at Green Week in Berlin; general view of exhibit area; Berliners visiting U.S. area.

U.S. blue jeans, live Maine lobsters, ice cream, corn-on-the-cob, processed foods, and Country and Western music were among the items that grabbed the attention of the thousands of visitors who passed through the U.S. pavilion at West Berlin's Green Week Exhibit January 26-February 4.

Over a half million Berliners and visitors from many countries attended the event, which is one of West Germany's largest agricultural fairs, and is considered to be one of the outstanding promotional events held anywhere in Europe.

The exhibit dates back to pre-World War II days, and the United States has participated during each of the last 20 years.

A wide range of agricultural activities were shown in the U.S. pavilion and elsewhere in the fairground, but the heart of the U.S. display was the stands where food products were displayed and samples dispensed. In Green Week 1979, 15 such stands featured U.S. products that ranged from popcorn and cotton candy to California wines to turkey hot dogs.

Because of the strong potential market for U.S. turkey products in Germany, they were featured in two stands. One offered turkey sandwiches, the other turkey hog dogs. U.S. turkey hog dogs have a strong selling point in that they are lower in cholesterol and are leaner than many kinds of German beef and pork wursts.

Other counters displayed and distributed ice cream, milkshakes, corn-on-the-cob, and orange and grapefruit juices. One exhibitor, in cooperation with a large and famous Berlin cafe, tempted passersby with bakery products containing fillings of U.S. preserved fruits.

Consumer foods of the type displayed in the U.S. pavilion represent $129.3 million out of total calendar 1977 U.S. agricultural exports to West Germany of $1.656 billion. The total in 1978 was $1.502 billion.—*By Christopher E. Goldthwait, Assistant U.S. Agricultural Attaché, Bonn.* □